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ASEAN Charter

Rizal Sukma Herman Joseph S. Kraft
Carolina G. Hernandez

Asia Pacific Regional Architecture

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Australia-Indonesia Relations and Climate Change

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Review of Developments

Sunny Tanuwidjaja Moekti P. Soejachmoen, et al.

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The Logo

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To better represent the underlying ideas that gave birth to CSIS in 1971, the Centre uses as of 1989 the logo that figures on the front cover of this journal. The original, in bronze, was designed by Indonesia's renowned sculptor G. Sidharta and comprises a disc with an engraving of the globe, which serves as a backdrop to a youth with an open book on a cloth draped across his lap, his left hand pointing into the book, and his right raised upwards. All these elements combine to project the Centre's nature as an institution, where people think, learn and share their knowledge. Mankind is their concern and the world their horizon. The undressed torso symbolises open-mindedness and the absence of prejudice in the attitude of the scholars who work with the Centre, just as it is with scholars everywhere. The inscription reads "Nalar Ajar Terusan Budi", in the Javanese language, conveys the Centre's belief that "to think and to share knowledge are the natural consequences of an enlightened mind." It is a surya sengkala that is chandra sengkala - a Javanese traditional way to symbolise a memorable year in the lunar calendar, adapted to the solar calendar system. It uses words that express the perceived meaning of the commemorated year while marking the year at the same time, with each word having a numerical value. Thus, the inscription, in reverse order, represents the year CSIS was established: 1971.

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ASEAN Charter

Building the ASEAN Community *Rizal Sukma* 258–277

ASEAN Charter constitutes another political document of ASEAN that would not help much in facilitating the fulfilment of ASEAN's goal to become a community. It still reflects a mode of thinking and operating which emphasises the primacy of state and state-driven process and its ability to forge a set of shared values remain questionable.

A Charter for ASEAN *Herman Joseph S. Kraft* 278–295

The ASEAN Charter is still held back by the norms of strict interpretation of the principle of non-interference, the affirmation of consensus-based decision-making process, and champions ASEAN solidarity over substantive and normative progress. Thus, it falls short of turning ASEAN into a strictly rule-based association.

The ASEAN Charter and the Building of an ASEAN Security Community *Carolina G. Hernandez* 296–311

The ASEAN Charter has failed to empower ASEAN. The Charter thus has undermined community building in the region, and has failed to keep ASEAN at the centre or driving force in East Asia community building.

Asia Pacific Regional Architecture

Strategic Trends in East Asia *Jusuf Wanandi* 312–326

While there is a shift of economic power to East Asia and the emerging markets in general from the West (with the US at the centre), and also from a "unipolar" into a multipolar world, there continues to be a stagnancy of regional institution building.

US Engagement in Southeast Asia *Scot A. Marciel* 327–337

Led by rapidly growing economies, the regional institutional architecture in Southeast Asia is growing. The US is very committed to the region and it sees great opportunities for a partnership in a long time to come. Although the form of the US engagement sometimes changes as new issues arise, but the strength of it does not.

America's Place in the Region *Sudjadnan Parnohadiningrat* 338-341

The US strategic roles in Southeast Asia are crucial. It includes sharing economic progress and prosperity between the Southeast Asian countries and the US, managing security issues in the Asia-Pacific, and developing regional capabilities in dealing with non-traditional security challenges.

Towards a Regional Institutional Architecture

for the Asia Pacific *Hadi Soesastro* 342-354

Kevin Rudd's vision for an Asia Pacific Community is a regional institution that is able to engage in the full spectrum of dialogue, cooperation and action on economic, political and security matters. Hence, it is significant in helping elevate the discourse of a new regional architecture to the highest level of policy making.

Asia Pacific Security

New Security Dimension in the Asia Pacific *Barry Desker* 355-368

The new understanding of security in the region is dominated by the unconventional challenges of terrorism sponsored by non-state actors against states, the globalisation of religious radicalism and resultant identity/ethnic politics, and the challenges of rebuilding war-torn failed states.

Southeast Asian Security and Its Influential

"Others" *Sheldon W. Simon* 369-386

America's Southeast Asia profile reveals a robust military/security presence. Yet, the US lacks an overall strategy that coordinates its trade, aid, and investment with larger political goals. Broadening the US agenda could mitigate Southeast Asian views that its attention is exclusively focused on security issues and counter-terrorism.

Australia-Indonesia Relations and Climate Change

Australia-Indonesia Relations *Stephen Smith* 387-395

As Australia and Indonesia are now presented with a unique opportunity to broaden and deepen the partnership in a new era amid a profoundly changed and changing political landscape, they seek for a genuine partnership that continues to expand into new areas and helps underpin the security and prosperity of both nations.

Climate Change and Indonesia	<i>Ross Garnaut</i>	396–411
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Australia and Indonesia share high vulnerability to climate change. Hence, the two countries can work together to provide an exemplary model for cooperation on climate change mitigation between developed and developing countries.

Review of Developments

Voting Behaviour and the 2009 Election	<i>Sunny Tanuwidjaja</i>	412–426
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BUILDING THE ASEAN COMMUNITY: HOW USEFUL IS THE ASEAN CHARTER?

Rizal Sukma

INTRODUCTION

Over the past decade, “regional community” and “community-building” have come to dominate academic and policy discourses on the future directions of the Association of Southeast Asian Nations (ASEAN). While the aspiration for the creation of a regional community in Southeast Asia is not new, one could argue that it was in 1976 that the notion of an “ASEAN community” entered the official language of ASEAN when the Declaration of ASEAN Concord which calls for member states to “vigorously develop an awareness of regional identity and exert all efforts to create a strong ASEAN community.”¹

The reference to an ASEAN community appeared again in 1997 in the ASEAN Vision 2020 during which ASEAN leaders declared that they “envision the entire Southeast Asia to be, by 2020, an ASEAN community conscious of its historical ties, aware of its cultural heritage and bound by a common regional identity.”² A year later in 1998, ASEAN laid down an important roadmap—the Hanoi Plan of Action (HPA) — that would guide the Association towards the realisation of

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1 “Declaration of ASEAN Concord,” Bali, 24 February 1976.

2 ASEAN Vision 2020 (Jakarta: ASEAN Secretariat, 1997).

such a noble goal. However, due to the devastating impacts of the financial crisis in 1997-1998, the endeavour was received with a degree of pessimism both within and without the region.

In October 2003, in an attempt to reinvigorate itself, ASEAN took a formal decision to transform itself into an ASEAN Community. Gathering in Bali, Indonesia, for the Ninth Summit, leaders of the Association declared that "an ASEAN Community shall be established comprising of three pillars, namely political and security cooperation, economic cooperation, and socio-cultural cooperation."³ They also affirmed that the transformation of ASEAN into an ASEAN Community would ensure "durable peace, stability, and shared prosperity in the region."⁴ A set of plans to realise the ASEAN Community was then put together in the Vientiane Action Program (VAP) in 2004, which spells out concrete steps and measures to be taken within each pillars.

The most controversial and contested instrument in this regard, however, is the adoption of the ASEAN Charter in November 2007. ASEAN leaders declared that the Charter is "a historic milestone for ASEAN, representing our common vision and commitment to the development of an ASEAN Community..."⁵ In this regard, they are convinced that the Charter will "facilitate community building towards an ASEAN Community and beyond."⁶ In other words, ASEAN leaders see the ASEAN Charter as an important step towards, and an evidence of their commitment to, the realisation of the ASEAN Community.

This paper examines challenges and prospects for the realisation of the ASEAN Community after all ten members of the Association have ratified the ASEAN Charter by October 2008. It discusses the extent to which the ASEAN Charter can fulfil the expectation expressed by

3 "Declaration of ASEAN Concord II", Bali, 7 October 2003.

4 Ibid.

5 "One ASEAN at the Heart of Dynamic Asia," Chairman's Statement of the 13th ASEAN Summit, Singapore, 20 November 2007.

6 "Kuala Lumpur Declaration on the Establishment of the ASEAN Charter," Kuala Lumpur, 12 December 2005.

ASEAN leaders that it will facilitate, not obstruct, the realisation of the ASEAN Community. The discussion is divided into two sections. The first section outlines the nature of the ASEAN Community as envisioned by its leaders and discusses the challenges in realising it. The second section discusses the nature of the ASEAN Charter and whether it could address those challenges in order to facilitate the realisation of the ASEAN Community.

THE ASEAN COMMUNITY: CHARACTERISTICS AND CHALLENGES

Long before the intention to create an ASEAN Community by 2020 was declared in the Bali Concord II in 2003, references to an aspiration on, and the need for, creating a regional community in Southeast Asia can be found in various ASEAN official documents.⁷ Without proclaiming it as such, ASEAN had since the outset even maintained that member states would cooperate to strengthen the foundation for "a prosperous and peaceful community of South-East Asian Nations."⁸ This aspiration for a community of Southeast Asian nations was then reiterated again in 1976 in the Treaty of Amity and Cooperation in Southeast Asia (TAC).⁹

Nonetheless, it is important to note that ASEAN's commitment and determination to transform the aspiration (vision) for a regional community into a concrete reality was fully spelled out only in 2003 in the Bali Concord II. That commitment was then further elaborated in 2004 in the VAP, and expressed symbolically in the theme of the 11th ASEAN Summit in Kuala Lumpur in December 2005: "One Vision, One Identity, One Community." The Summit in Kuala Lumpur, however,

7 For a comprehensive study on the evolution of ASEAN's aspiration for a "regional community", see Sue Sudo, "Forging an ASEAN Community: Its Significance, Problems and Prospects," Discussion paper No. 146 (Nagoya: Graduate School of International Development, Nagoya University, September 2006); and Alexandra Retno Wulan and Bantarto Bandoro, eds., *ASEAN's Quest for A Full-Fledged Community* (Jakarta: CSIS, 2007), especially Chapter 3.

8 The ASEAN Declaration (Bangkok Declaration), Bangkok, 8 August 1967.

9 See, Article 12, Treaty of Amity and Cooperation in Southeast Asia (TAC), Bali, Indonesia, 24 February 1976.

was also important due to the decision by ASEAN leaders to start the process of drafting an ASEAN Charter as the binding constitutional basis for the process of building the ASEAN Community—a process that was completed at the Singapore Summit in November 2007.

What, then, does the ASEAN Community entail? Even though ASEAN has produced various official documents on the ASEAN Community, still it is not easy to gauge what exactly it means when ASEAN talks about a “community.” Indeed, there has also been extensive debate among scholars—both within and without the region—whether the “community” that ASEAN wants to create can be called a community at all.¹⁰ Indeed, in reality and in terms of practical politics, it might be the case that different member of ASEAN would have a different understanding of the notion of ASEAN Community. Reading from various ASEAN official documents, however, it can be summed up that ASEAN wants to create a regional community characterised by six key elements.

First, ASEAN intends to establish a regional community where peace, stability and shared prosperity would be ensured through the interconnectedness of three pillars: (1) political and security cooperation; (2) economic cooperation; and, (3) socio-cultural cooperation. Integral to this characteristic is the recognition that ASEAN needs “to subscribe to the principle of comprehensive security”¹¹ because the

10 This paper has no intention to engage in such a debate. The analysis is based only on the kind of community that ASEAN *wants* to evolve into, not on the kind of community that ASEAN *should* evolve into. For the debates on the nature of ASEAN as a community, see, for example: Amitav Acharya, *Constructing a Security Community in Southeast Asia: ASEAN and the Problem of Regional Order* (London: Routledge, 2001); D.M. Jones and M. L. R. Smith, “ASEAN’s Imitation Community,” *Orbis* 46, no. 1 (2002): 93-109; Nicholas Khoo, “Deconstructing the ASEAN Security Community: A Review Essay,” *International Relations of the Asia-Pacific* 4 (2004): 35-46; Tobias Nischalke, “Does ASEAN Measure Up? Post-Cold War Diplomacy and the Idea of Regional Community,” *The Pacific Review*, no. 15 (2002): 89-117; Narayan Ganesan, “ASEAN: A Community Stalled?” in Jim Rolfe, ed., *The Asia-Pacific: A Region in Transition* (Honolulu: Asia-Pacific Center for Security Studies, 2004); and Nicholas Khoo, “Rhetoric vs. Reality: ASEAN’s Clouded Future,” *Georgetown Journal of International Affairs*, Summer/Fall 2004, pp. 49-56.

11 Ibid.

security of member states is "fundamentally linked to one another and bound by geographic location, common vision and objectives."¹² Such acknowledgement implies recognition by ASEAN governments that intra-state security problems can no longer be viewed as having no bearing on regional security and stability. That is why ASEAN recognises the importance of nurturing "common values, such as habit of consultation to discuss political issues and the willingness to share information on matters of common concern..."¹³ and reluctantly accepts the use of an "enhanced interaction" approach—as opposed to a strict non-interference principle tantamount to indifference—in addressing an internal problem in a member state with trans-boundaries implications. Deeper cooperation to address those trans-national problems becomes imperative.

Second, it is a community where member states "live at peace with one another and with the world at large in a just, democratic and harmonious environment."¹⁴ Central to this characteristic of an ASEAN Community is the desire to be "respected by all and respecting all nations,"¹⁵ the commitment to remain "open and outward looking," and the determination to "further promoting peace and security in the wider Asia Pacific region...as the primary driving force."¹⁶ For this purpose, ASEAN recognises that in order to be respected and able to play an effective as a force for peace and stability beyond SEA, it needs "to demonstrate a greater capacity and responsibility of being the primary driving force of the ARF" by "strengthening national and regional capacities to counter terrorism, drug trafficking, trafficking in person and other transnational crimes."¹⁷

Third, ASEAN strives for a community where the interaction among members of the community is guided by a set of norms, rules and principles of behaviour to which all members should comply.

12 "Declaration of ASEAN Concord II."

13 Ibid.

14 Ibid.

15 "Declaration of ASEAN Concord."

16 Ibid.

17 Ibid.

While reiterating the long-practiced principles of non-interference, consensus, sovereignty, and peaceful settlement of disputes, ASEAN members "shall promote political development in support of ASEAN's leaders shared vision and common values to achieve peace, stability, *democracy* and prosperity in the region." This, among others, requires ASEAN "not to condone unconstitutional and undemocratic changes of government."¹⁸ The Kuala Lumpur Declaration in 2005 is even more specific when it mentions that the soon to be drafted ASEAN Charter should include the adherence to "the promotion of democracy, human rights and obligations."¹⁹ In other words, ASEAN for the first time set democracy and respect for human rights as its two new objectives.

Fourth, the community that ASEAN wants to create is a community sustained and bound together by the presence of a common regional identity.²⁰ This requires a set of values shared by all (not only governments, but also the people) and a sense of togetherness, the "wee- feeling," and the presence of "confidence and trust within the Community." Central to the creation of such an ASEAN Community is the imperative of fostering "a community of caring societies" and "strengthening the foundations of regional social cohesion" where the people (civil society, NGOs, business, other non-governmental elites) are also "conscious of a common regional identity" resulting from people to people contact, years of cumulative interaction, and the participation of civil society in the process of policy formulation.²¹ In short, an ASEAN Community should be a people-centred ASEAN.

Fifth, it is a community where war and the prospect of war become unthinkable and unimaginable. Such community should be capable of preventing conflict, resolving conflict through peaceful means (the avoidance of the use of force or the threat of the use of force), and engaging in post-conflict peace building. Conceived in this way, an ASEAN Community is required to "strengthen confidence and trust within the Community; to mitigate tensions and prevent

18 "ASEAN Security Community Plan of Action", Vientiane, 29 November 2004.

19 "Kuala Lumpur Declaration the Establishment of the ASEAN Charter."

20 Ibid.

21 "Declaration of ASEAN Concord II."

disputes from arising between or among member countries as well as between member countries and non-ASEAN countries; and to prevent the escalation of existing disputes".²² There is also the need to develop an early warning system to prevent occurrence/escalation of conflicts.²³ These characteristics are the essence of ASEAN as a security community.

Sixth, it is a community where the economies of member states are integrated into a "single market and production base." Based on the principle of "prosper thy neighbour," the development gap among members is expected to be replaced by "equitable economic development." This is the essence of the ASEAN Economic Community (AEC) as contained in the Bali Concord II.

From the above discussion, it can be summed up that, in principle, the Community that ASEAN wants to create should have the following characteristics: (1) the presence of a common identity based on shared norms, values, and trust; (2) people-centred; (3) mechanism for peaceful settlement of disputes; (4) integrated economy; and (5) the ability to play an effective role beyond Southeast Asia. The question is: Has ASEAN achieved all the above qualities so that it can be called an ASEAN Community? One does not need to engage in an extensive academic debate to answer this question.

Indeed, the debate on whether ASEAN is already a "community" or not is clearly misplaced and constitutes a purely academic exercise. It is obvious that the ASEAN Community is a goal that ASEAN wants to achieve, not yet a reality. In the Bali Concord II, for example, ASEAN leaders clearly declare that "we hereby pledge to our peoples our resolve and commitment to bring the ASEAN Community into reality..." by 2020. This set date for the realisation of the ASEAN Community was later shortened into 2015 during the 12th Summit in Cebu, the Philippines, in January 2007.²⁴

22 "ASEAN Security Community Plan of Action," Para III.

23 "Vientiane Action Program," 2004.

24 "Cebu Declaration on the Acceleration of the Establishment of an ASEAN Community by 2015," Cebu, the Philippines, 13 January 2007.

Therefore, with all these deadlines, ASEAN is clearly not yet an ASEAN Community. In 2003, I argued that "despite the potentials generated by the habit of cooperation over 35 years, is yet to develop into a full-pledged Security Community. Even though member states have renounced the threat or use of force as a means of resolving conflict among themselves, it is still a Security Regime."²⁵ In fact, as demonstrated in the case of armed clashes between Thai and Burmese troops in early 2001, the use of force is still possible in inter-state relations.

After more than four years since the launching of the Bali Concord II, ASEAN is still a regime, or for that matter a security regime, trying to transform itself into a community by striving to implement various plan of actions and blueprints such as the VAP and the ASEAN Economic Community Blueprint (AECB), and even by drafting an ASEAN Political-Security Community Blueprint (APSCB). The key question here is how realistic is ASEAN's intention to create a community by 2015. It is even doubtful that ASEAN can become a community by 2020, let alone by 2015.

Even though ASEAN has equipped itself with various plans, programs, and blueprints, it is facing tremendous challenges in realising the ASEAN Community with characteristics described above are not easy. How, then, will ASEAN address the challenges of community building so that it can realise the intention to create an ASEAN Community by 2015? One most important step undertaken by ASEAN in this regard is the adoption of the ASEAN Charter. Indeed, the ASEAN Charter was expected to become a "landmark constitutional document...capable of meeting the needs of the ASEAN Community and beyond."²⁶

One of those needs is to overcome challenges facing the community-building project currently undertaken by ASEAN. Therefore, the

25 See, Rizal Sukma, "The Future of ASEAN: Towards A Security Community," paper presented at a Seminar on "ASEAN Cooperation: Challenges and Prospects in the Current International Situation," New York, 3 June 2003.

26 "One Vision, One Identity, One Community," Chairman's Statement of the 11th ASEAN Summit, Kuala Lumpur, 12 December 2005.

adoption of the ASEAN Charter should be seen as an integral part of ASEAN's overall effort to transform itself into a Community. The question, then, can the ASEAN Charter unveiled in Singapore in November 2007 help to accelerate such transformation? More importantly, how useful is the Charter in bringing about the elements required for ASEAN to become a Community as it envisions?

THE ASEAN CHARTER: IS IT REALLY USEFUL FOR COMMUNITY-BUILDING?

The decision by ASEAN leaders in December 2005 to start the drafting process of a Charter was applauded with great enthusiasm both within and without the region, including by elements of civil society. The proposed process was really encouraging. It started with the decision by ASEAN leaders to establish the Eminent Persons Group (EPG) "comprising highly distinguished and well respected citizens from ASEAN Member Countries, with the mandate to examine and provide practical recommendations on the directions and nature of the ASEAN Charter relevant to the ASEAN Community as envisaged in the Bali Concord II."²⁷ The EPG was tasked to provide inputs for the drafting of the Charter, and asked to be "bold and visionary." In carrying out its mandate, the EPG had been very open, transparent, and responsive to the inputs from various groups in the society and polity. Indeed, through its public consultation process, the EPG had started a new tradition within ASEAN of putting high value on the views coming from outside government circles, especially those from the civil society.

The EPG report on the Charter is indeed valued and welcome as a significant achievement within ASEAN and beyond. The outcome of the EPG's deliberation, in the form of recommendations it provided, has been generally acknowledged as a breakthrough that would really open a new chapter for ASEAN. The work of the EPG has indeed been very encouraging as a sign of ASEAN's maturity. Anyone familiar with ASEAN's conservatism would know that the

27 "Kuala Lumpur Declaration on the Establishment of the ASEAN Charter."

EPG Report is indeed bold and visionary. As reflected in the Report, the EPG clearly understood that for a Community to be created, then ASEAN needed to change. Therefore, the expectation was high that if the EPG's recommendations were taken up by the ASEAN governments, then ASEAN would indeed have a very strong and promising constitutional basis.

The high expectation, however, began to dwindle as the High Level Task Force (HLTF)—established by ASEAN Foreign Ministers to draft the actual Charter—began its work. The EPG Report was only seen as one of the three sources of guidance for the Charter. The other two are: leaders' directions and the existing ASEAN documents. Since then, the drafting of the ASEAN Charter was lost in the mysterious world of the bureaucrats. Very few outside the government circles had the privy to even glance, let alone follow the process. Secrecy prevailed during the process of deliberation within the HLTF. The public increasingly lost its rights to know what was going on behind the closed doors of the bureaucracy's privileged world. The ASEAN Charter suddenly became a process of closed door dealings among the bureaucrats, taking orders only from their respective political masters.

As secrecy became the overriding principle in the actual drafting of the Charter, public consultation became a lip service. In Indonesia, for example, stake-holders were invited to provide inputs without even seeing the draft document, let alone knowing the nature of discussion within the HLTF. Some officials at the Indonesian Foreign Ministry revealed that there was an "agreement" among members of the HLTF to keep the draft secret before it was presented to the leaders. This process was heavily criticised in a democratic Indonesia. As the process of the drafting did not reflect the new spirit (openness which respects the participation and aspiration of the public), the public began to wonder how the people could expect something new coming out of a process which was still dictated by old-fashioned and outdated principles of work. Was it realistic to expect that the Charter would contain "bold and visionary" ideas already produced by the EPG's works?

Such doubts were soon vindicated when the final draft of the AC was leaked to the public from an undisclosed source in Thailand, a few days before the 13th Summit in Singapore. After the Charter was signed, all the high expectations were not entirely met. The Charter is a much water-down version of the EPG Report. Members of civil society and academics, especially in democratic countries like Indonesia and the Philippines, immediately criticised and expressed their disappointment at the Charter. Most critics already point out to the weaknesses in the Charter, especially in terms of the exclusion of crucial elements that had been proposed by the EPG.

The following discussion has no intention to repeat this debate. It will examine the Charter in terms of its ability to address the challenges facing ASEAN in transforming itself into a community as envisioned in the Bali Concord II and other documents. More specifically, it is important to examine whether and how the ASEAN Charter could facilitate the creation of a common regional identity in terms of its promises to place the people at the centre of ASEAN process, its ability to forge shared values (reconcile divergent values among its diverse members), and its willingness to foster the habit of compliance.

Regional Identity: Where Have the People Gone?

It has been mentioned earlier that a community can emerge if there is a common regional identity. This common identity will emerge if the people of Southeast Asia could interact intensively to create a self-identification process: a process that creates a sense of togetherness or a "we-feeling." It also requires the expansion of interaction among members beyond inter-governmental contacts,²⁸ to include non-governmental elites in other sectors, especially civil society organisations.²⁹ The "we-feeling" needs to be felt also by

28 Alan Collins, "Forming a Security Community: Lessons from ASEAN," *International Relations of the Asia-Pacific* 7, no. 2 (2007): 209.

29 Ibid: 210.

the members' population. As Acharya puts it, "the true meaning of community involves identity among people, and not just states."³⁰

Similarly, greater participation by the people—not only by government officials—in ASEAN process is also an essential prerequisite for the emergence of a common regional identity. The involvement of the people in the ASEAN process would create a sense of belonging. While greater interaction among the people could lead to a shared identity within a community, it is their involvement and participation in ASEAN process that create a sense of belonging over the community. Indeed, a feeling of togetherness and a sense of belonging are two essential features that need to be embedded in a community. In other word, a community will emerge only if the people are put at the centre of community-building process.

Some ASEAN leaders clearly understand the importance of putting people at the centre of the regional community-building process. Malaysia's Prime Minister Abdullah Badawi clearly emphasises this point when he warned that "ASEAN must never become elitist. It must be people centred. This means that there must be adequate provisions for greater participation by the civil society in the ASEAN process."³¹ Indonesia's President Susilo Bambang Yudhono stated "the backbone of any community of nations is not governments, but the peoples who make up the nations. Governments come and go but the people will always be there." Therefore, "ASEAN must have kept a firm hold on the idea that it is wise and necessary that the people participate in its work" and "we need to ensure that our peoples have full ownership of the endeavour taken by Governments."³²

Singapore's Prime Minister Lee Hsien Loong also recognises the importance of creating an ASEAN Community "that is embraced by

30 Amitav Acharya, "What is a Community?" in *Towards Realizing an ASEAN Community: A Brief Report on the ASEAN Community Roundtable* (Singapore: ISEAS, 2004).

31 Keynote address at the National Colloquium on ASEAN, Shah Alam, 7 August 2004, available at <http://www.pmo.gov.my>

32 Susilo Bambang Yudhono, "On Building the ASEAN Community: The Democratic Aspect," Lecture on the Occasion of the 38th Anniversary of ASEAN, Jakarta, 8 August 2005.

its people" and "that everyone is proud to belong to" which requires a "more active bottom-up participation."³³ The EPG also recommended that in order to cultivate a regional identity, ASEAN needs to "to strengthen the sense of ownership and belonging among its people" by strengthening people-to-people ties.³⁴

Despite all the talks and promises of a people-centred ASEAN, the ASEAN Charter, however, hardly places the people at the centre. Article 1.13 of the Charter does include the need "to promote a people-oriented ASEAN in which all sectors of society are encouraged to participate in, and benefit from, the process of ASEAN integration and community building."³⁵ However, it has been pointed out that "the charter is supposed to reflect a people-centred ASEAN, but nowhere does it state how people can relate to ASEAN, how to give feedback, how to exert control and through what institutions."³⁶

A regional civil society organisation, the Solidarity for Asian's People Advocacies (SAPA), also points out that "The Charter fails to put the people at the center, much less empower them. The Charter is all about how Governments will interact with each other, but not about how they also should interact with the people."³⁷ Indeed, the Charter does not take up the EPG's recommendation to include the provision on the need for ASEAN's principal organs—especially the Summit—to establish a mechanism by which they can undertake regular consultation with non-governmental elites.

One could well argue that all the objectives listed in the Charter, and the commitment by the leaders to cooperate to achieve those objectives, are there for the benefits of the people. Indeed, no one would deny that it is the people who will benefit from ASEAN's commitment to alleviate poverty, narrow the development gap, combat

33 Speech by Prime Minister Lee Hsien Loong at ASEAN Day Lecture, Singapore, 7 August 2007.

34 "Report of the Eminent Persons Group on the ASEAN Charter (December 2006)".

35 The ASEAN Charter.

36 Jusuf Wanandi, "ASEAN's Charter: Does a Mediocre Document Really Matter?" *The Jakarta Post*, 26 November 2007.

37 SAPA, "Analysis of the ASEAN Charter," 19 November 2007.

trans-national crimes, and create a drug-free environment, provided that the governments could really deliver them. Therefore, to the proponents of the Charter, it would be misleading to characterise the ASEAN Charter as not being people-centred.

Such argument, however, only reinforces the points that while the Charter is for the people, it is not so much of the people and by the people. The Preamble of the Charter, which declares "We, the PEOPLES of the Member States of the Association of Southeast Asian Nations (ASEAN), as represented by the Heads of State or Government..." clearly reflects that irony well. Indeed, by recalling again how the drafting process was carried out, the Charter is still more a product of a state-driven process rather an articulation of people's aspiration.

Divergent Values: If Not Democracy, So What?

For a common regional identity to emerge, both the governments and the people of ASEAN need to have a shared norms and values without having to abandon their unique national norms and values. It has been mentioned earlier that the we-feeling can be created if members of the community share the same norms and values. The word "community," President Yudhoyono remarks, "has come to mean not only a sharing of purposes and resources but also a sharing of values. It entails cultivation of a 'we-feeling' based on those values."³⁸ In this regard, the challenge of diversity within ASEAN to the emergence of shared values among its members is daunting.

Politically, ASEAN is too diverse to have a common regional identity based on common values shared by both governments and the people of all member states. This is already true even among the five original founding members. The expansion of membership has even made the task more difficult, if not impossible. Members of ASEAN include a monarchy in Brunei, emerging democracies in

³⁸ Susilo Bambang Yudhoyono, "On Building the ASEAN Community: The Democratic Aspect," Lecture on the Occasion of the 38th Anniversary of the Association of Southeast Asian Nations, Jakarta, 8 August 2005.

Indonesia and the Philippines, to an extreme form of dictatorship in Myanmar.

Despite the fact that the promotion of democracy is included in the Charter as a new objective of ASEAN, it is difficult, if not impossible, to imagine that all ASEAN countries would embrace democracy. Indeed, the utility and feasibility of democracy as a common norm and values to be embraced by all members—and to be made as a core element of a common regional identity—have been subject to a lively debate. The attempt to promote democracy as an ASEAN's value, for example, has been branded as "unfeasible" because "some of the members have been reluctant to pursue liberal agendas..."³⁹ This is in fact a fair assessment that the promotion of democracy agenda in ASEAN is indeed a difficult proposition.⁴⁰ In the absence of a common understanding about democracy, therefore, a regional identity should be more possible if it is built "upon recognised universal values: human rights, mutual prosperity and freedom from oppression."⁴¹

While ASEAN member states agree on the importance of mutual prosperity, they however differ with regard to human rights and freedom from oppression. For example, it is difficult to understand why some within ASEAN are still reluctant to embrace "the promotion and protection for human rights" wholeheartedly as an ASEAN norm and value. It is true that ASEAN Charter obliges its members "to strengthen democracy, enhance good governance and the rule of law, and to promote and protect human rights and fundamental freedoms..."⁴² It is not immediately clear how committed its members are to comply with this provision. The debate on a regional human

39 Hiro Katsumata, "Human Rights and Democracy: From Big Talk to Concrete Actions?" in Hiro Katsumata and See Seng Tan, eds., *People's ASEAN and Governments' ASEAN* (Singapore: RSIS, 2007), 11.

40 See, Rizal Sukma, "Institutional Issues: Democracy Agenda for ASEAN?" in Donald K. Emmerson, ed., *Hard Choices: Security, Regionalism and Democracy in Southeast Asia* (forthcoming).

41 Pavin Chachavalpongpun, "In Search of an ASEAN Identity," *The Nation*, 4 May 2006.

42 The ASEAN Charter.

rights mechanism—manifested in the contention over the term “commission” or “body”—illustrates this unpleasant fact.

Myanmar is another case in point. It has defied the calls by the international community and some ASEAN members to respect human rights in that country and, despite its decision to sign and ratify the Charter, there is no guarantee that it will not continue to do so. Myanmar even clearly and shamelessly presents itself not only as an anti-democracy but also as an anti-human rights regime. And, the ASEAN Charter does not provide any guidance on how such blatant disregard of the principles embodied in the Charter would be dealt with and resolved.

It has been argued earlier that a regional identity would emerge through people-to-people interaction, and cooperative relations between national civil society organisations (CSOs) are especially crucial in this regard, because the CSOs “are particularly adept at community building.”⁴³ Both a “we-feeling” and a sense of belonging can only be attained if the people of Southeast Asia—especially the CSOs—are not restrained either in interacting with each other or in participating in policy formulation process. Without a degree of political openness within domestic context, it is hard to imagine how a regional identity could be forged. The challenge for ASEAN in this regard, therefore, is to encourage not only the emergence of civil society in all member states, but also encourage member states—especially non-democratic ones—to allow such civil society organisations to emerge and participate in policy-formation process within their respective domestic context. That would require, if not a degree of democratisation, a greater space for people’s political participation—a provision already agreed upon by ASEAN members—including Myanmar—in the context of ASEAN Security Community.⁴⁴ As the Charter is largely silent on this issue, it is doubtful that it could facilitate a common identity-creation within an ASEAN Community.

43 Collins, “Forming a Security Community,” 210.

44 See, ASEAN Security Community Plan of Action, 2004.

Rules-Based and the Problem of Compliance

The Charter promises to transform ASEAN into a more rules-based organisation rather than a loosely-organised association. The ASEAN Charter, it is said, "will make ASEAN a more rules-based organisation" because the much-celebrated "ASEAN Way" will "be supplemented by a new culture of adherence to rules" and "grow the culture of taking our obligation seriously."⁴⁵ This, among others, has been manifested in the inclusion of various principles and objectives in the Charter. The Charter also compiles and codifies all norms and rules previously agreed upon by ASEAN. With all the rules and procedures included in the Charter, can we now say that ASEAN has become a rules-based institution, and that a culture of compliance will emerge and alter the way ASEAN has traditionally operated?

It is precisely on this point that the ASEAN Charter has failed to convince its stake-holders that it is in fact an inspiring document that would help facilitate the community-building process in Southeast Asia in a significant way. The EPG has warned that "ASEAN's problem is not one of lack of vision, ideas, and action plans. The real problem is one of ensuring compliance and effective implementation of decision."⁴⁶ Therefore, the EPG strongly urged ASEAN to create a mechanism to redress non-compliance by putting a form of sanctions regime in place, which might include "the suspension of rights and privileges" of membership.⁴⁷

This bold and progressive suggestion, however, was nowhere to be found in the ASEAN Charter. Having all the rules does not automatically mean that it is a rules-based institution. Indeed, there is a question regarding the ability and willingness of ASEAN to ensure, let alone enforce, compliance. The Charter only gives the Secretary-General of ASEAN with a limited authority to "monitor the compliance with the findings, recommendations or decisions resulting from an

45 Tommy Koh, Walter Woon, Andrew Tan, and Chan Sze-Wei, "Charter Makes ASEAN Stronger, More United and Effective," *The Straits Times*, 8 August 2007.

46 Report of the EPG, 21.

47 Ibid, 31.

ASEAN dispute mechanism, and submit a report to the ASEAN Summit." Moreover, it also says that "in the case of a serious breach of the Charter or non-compliance, the matter shall be referred to the ASEAN Summit for decision." No mention on specific mechanism by which leaders can arrive at decision except "where consensus cannot be achieved, the ASEAN Summit may decide how a specific decision can be made." Again, in such an event, it is very likely that sovereignty and ASEAN's strict notion of non-interference will take precedence over other principles, and ASEAN leaders would engage in a process of consensus-seeking.

Despite all the rhetoric, ASEAN member states are not yet prepared for taking punitive actions, because any action aimed at enforcing compliance or punishing non-compliance would be severely curtailed by the principle of non-interference in domestic affairs of member state as strictly understood by ASEAN. To that effect, the Charter clearly reinforces an old ASEAN where rules are unenforceable, and compliance is a matter of national preference for member states. ASEAN has been reminded by the EPG that "the vision of One Identity and One Community" can only be realised if Member States accord higher national priority to ASEAN within their domestic contexts and cooperate more effectively at the regional level."⁴⁸ Nevertheless, the ASEAN Charter still provides, and indeed legitimises, the room for non-compliance. In this context, ASEAN will continue to function as a form of inter-governmental cooperation rather than a genuine regional community.

CONCLUDING REMARKS

ASEAN Charter constitutes another political document of ASEAN which would not help much in facilitating the fulfilment of ASEAN's goal to become a community. Worse, the ASEAN Charter could in fact be irrelevant in that process. It is hard to expect that the Charter would contribute significantly to the creation of a common identity due to three fundamental elements detrimental to the community-

⁴⁸ Report of the EPG, 13.

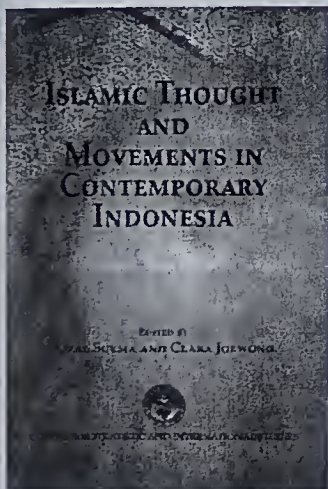
building process. First, it still reflects a mode of thinking and operating which emphasises the primacy of state and state-driven process. Second, its ability to forge a set of values shared by all remains to be seen. Third, as the Charter could not ensure compliance, the promise for a more rules-based ASEAN would be harder to deliver. Therefore, despite the Charter, it is more likely that ASEAN will continue doing business as usual.

It is imperative, however, that the community-building process should continue to be a top priority for ASEAN. Regardless all the obstacles, the ASEAN Charter could still be valuable if it is supplemented by other instruments that could rectify the weaknesses found in the Charter. First, with regard to the problem of non-compliance, leaders need to agree on a set of rules outlining a decision-making procedure that allows for the voting system to be adopted. Second, human rights provision in the Charter needs to be followed up with concrete measures towards the establishment of an ASEAN Human Rights Commission with clear mandate, functions, and scope of authority. For example, citizens of ASEAN should be able to bring up cases of human rights violation to ASEAN, and ASEAN should be given the mandate to follow up those human rights complaints in any member state. Third, leaders need to agree on a clear mechanism by which greater and institutionalised participation by the people can be ensured, and the people—through various CSOs—can be granted regular access to the leaders. Fourth, there should be a code of political conducts or a standard of behaviour of governments, which includes the provisions for upholding, promoting, and protecting the human rights of citizens.

The Indonesian Law on the Ratification of the ASEAN Charter already includes all the important points mentioned above. Indeed, the Law obliges the Indonesian government to work harder in addressing those weaknesses of the ASEAN Charter. If ASEAN is not yet ready to move towards that direction, than it will take a long time for ASEAN to fulfill its intention to become a community. Unfortunately, the Charter—especially in its agreed form—would not help much in the process. The document is neither bold nor visionary. Conservatism,

marked by the fear of change, continues to prevail in ASEAN. This is more so as new members began to flex its muscle in demanding their view to be accommodated, to which the old members are compelled to concede. This is in fact the greatest irony of ASEAN after it passes its 40th Anniversary.

ISLAMIC THOUGHT AND MOVEMENTS IN CONTEMPORARY INDONESIA



Edited by: *Rizal Sukma and Clara Joewono*

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Since the fall of the New Order Regime in 1998, Islam in Indonesia has become more complex politically and socially. This is due to the growing diversity in the manifestation of Islam. Islam has developed and changed significantly in terms of thought and movement. It can no longer be dichotomized into traditionalist or modernist, as it used to be.

This book is the result of a study involving researchers from CSIS and PPIM UIN Jakarta. It attempts to portray the complexity of the contemporary Islamic movement and thoughts in Indonesia.

The book, containing 12 chapters with discussions ranging from mapping out Islamic thoughts and movement to Islamic Mass Organization and Women Empowerment, is recommended for those who seek an understanding of the diversity of Islamic thoughts and movement in Indonesia.

Contributors: Rizal Sukma and Clara Joewono; Jajat Burhanudin; Fuad Jabali/Arief Subhan; Din Wahid; Jajang Jahroni; Ismatu Ropi; Tasman; Sirojudin Abbas; Muhamad Ali; Oman Fathurahman; Philips J. Vermonte; Dina Afrianty.

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A CHARTER FOR ASEAN: CHALLENGES AND PROSPECTS FOR COMMUNITY BUILDING

Herman Joseph S. Kraft

In November 2007, the leaders of the ASEAN member-states adopted a Charter that was supposed to further institutionalise cooperation among the ASEAN states and turn ASEAN into a more-rule-based association. The Charter itself is supposed to be subject to ratification by the different member-states of ASEAN through their respective nationally mandated processes. Its unveiling at the ASEAN Summit in Singapore has, nonetheless, generated a variety of reactions—most of it reflecting disappointment at the contents of the Charter, particularly at the way it circumvented issues that had current relevance such as those regarding the behaviour of Myanmar and how this reflected upon ASEAN.

This paper looks into how the ASEAN Charter affects the way ASEAN conducts its affairs and to what extent this will further enhance intra-ASEAN cooperation. What are the challenges and prospects for ASEAN community building created by the ASEAN leaders' acceptance of the ASEAN Charter? Will the Charter prospectively turn ASEAN into a more rule-based association and radically alter the way ASEAN has traditionally operated? What effect will it have on the current structural divisions between the more developed senior member states and the less developed CLMV countries?

Fundamentally, this paper argues that the Charter falls short of turning ASEAN into a strictly rule-based association and will

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therefore not radically change the way that the ASEAN-member-states conduct their relations. At the same time, however, it does provide opportunities for changing the normative bases of intra-ASEAN and extra-ASEAN engagement. In this context, the prospect of establishing a regional human rights body potentially provides one of the more important developments in ASEAN. How these opportunities pan out will depend largely on how regional civil society will be able to take advantage of them.

MOVING TOWARDS RULE-BASED REGIONALISM IN ASEAN?

The process of drafting and adopting an ASEAN Charter was built around the idea that ASEAN will be facing future challenges the responses to which would require higher levels of institutionalised cooperation. This is an important development because the member-states of ASEAN have always preferred informal and low-keyed arrangements in the conduct of their business with one another and collectively with their dialogue partners.

Recognition of the increasing importance of regional economic cooperation and integration, and transboundary security issues have made it imperative for the member-states of ASEAN to coordinate more closely and intensify the development of cooperative capacities that would allow for regional approaches to addressing these concerns. Beyond this policy-oriented rationale, a Charter would also formalise the normative foundations of ASEAN. It would be akin to enacting a "constitution" which would be the basis for what is intended to be a more "rules-based environment" for what is projected to be more intensive intra-ASEAN economic, security and social cooperation.¹

Rules-based regionalism is about deepening processes of cooperation among states and other actors in a particular geographic area based on clearly set, understood and accepted principles and standards of behaviour. The basic premise in rules-based regionalism

1 This backgrounder on the ASEAN Charter was provided by Ambassador Rosario Manalo, the then head of the High Level Task Force responsible for the drafting of the Charter, at a public forum on 6 September 2007 at the University of the Philippines.

is that these clearly set principles and standards, and not the will of any individual person or group of persons, would be the measure of what is proper and acceptable behaviour, and no one, including "organs of public authority," stands above them.²

More simply stated, decisions and their implementation are based on agreed upon rules and procedures, and those in authority are held accountable for ensuring that these decisions are enforced and enforced on the basis of the primacy of these existing rules over any other consideration. Formally, the legitimacy of rules governing behaviour is based primarily on their clarity, their generality, their consistency with one another, and their constancy over time. In addition, rules must conform to certain practical precepts on how they are to be administered and enforced.

Taking the cue from Rawls on what it means to operate on the basis of the rule of law, there are four precepts that should be observed.³ First, rules should not impose obligations that cannot be met. Obligations must be imposed on the basis of good faith, the understanding that they can be met, and understood as such by those involved. The lack of good faith could be the basis of a legitimate defence should it be impossible for a party to obey. Second, rules should not discriminate on the basis of arbitrary criteria such as race, gender, or religion. Third, rules should not be applied retroactively. Fourth, rules should be enforced according to accepted procedures, i.e., there should be due process.

In December 2006, the Eminent Persons Group (EPG) tasked with putting together "bold and visionary ideas" that would be the basis of the ASEAN Charter submitted their recommendations to the leaders of the ASEAN states. A key set of proposals revolved around precisely the idea of strengthening and streamlining cooperative mechanisms, and, more importantly, putting into place more effective mechanisms

2 Stephen L. Esquith, "Toward a Democratic Rule of law: East and West," *Political Theory* 27, no. 3 (1999): 335-336

3 Quoted in Esquith, *Ibid.*

for monitoring compliance with decisions made at the level of ASEAN, and for settling disputes between and among its member-states.

In the context of emphasising the transformation of ASEAN into a more rule-based association, the EPG Report included the idea of possible sanctions for non-compliance on decisions made or serious breaches of stated ASEAN objectives, principles and commitments.⁴ It also contained specific recommendations on strengthening the Secretariat and the office of the Secretary General to give it more authority on coordinating and monitoring the implementation of decisions made at the ASEAN level, and gave attention to restructuring ASEAN in order to make it more proactive in responding to issues of concern, whether long-standing or emerging, to the region.

The EPG Report was welcomed not only by the ASEAN leaders upon its submission, but also by members of civil society who were pleasantly surprised with some of the recommendations made by the EPG.⁵ In particular, they noted the fairly progressive stance of the EPG in recommending that ASEAN commit itself to recognising “democracy, respect for human rights and fundamental freedoms and the rule of law, including international humanitarian law, as an indispensable condition for the stability, peace and development of the region.”⁶ More importantly, the EPG noted that “the possibility of setting up of an ASEAN human rights mechanism . . . should be pursued further, especially in clarifying how such a regional mechanism can contribute to ensuring the respect for and protection of human rights of every individual in every Member State.”⁷ Such a commitment, especially when combined with the possibility that ASEAN would deal more strictly with non-compliance, presented the

4 Association of Southeast Asian Nations (ASEAN). *Report of the Eminent Persons Group on the ASEAN Charter* (December 2006): 31.

5 See for example the statement issued by the civil-society driven Regional Working Group for ASEAN Human Rights Mechanism issued on 22 January 2007 after the EPG Report was made public. The statement was downloaded from <http://www.aseanhrmech.org/downloads/Statement%20on%20EPG%20Recommendations.pdf> on 9 January 2008.

6 ASEAN, *op. cit.*, 25.

7 Ibid, 22.

possibility that countries with egregious human rights records could face sanctions, including outright suspension from ASEAN.⁸

It is this context which dominated discussions and recommendations submitted to the EPG on what a rule-based ASEAN would be like. Rodolfo Severino, former Secretary General of ASEAN, pointed out that ASEAN community building must be predicated on common values and norms which would be the basis for inter-state relations among the ASEAN member-states, relations with states outside the region, and standards of behaviour within individual ASEAN member-states. Serious violations of the more fundamental norms defined by the Charter "ought to be subject to suspension from the decision-making processes of the association."⁹ He noted that decisions should be binding – even if the process by which a decision is made is not based on a clear consensus – but with provisions for phased implementation as previously determined by assessments of differences in state capacities. Underlying this, however, is the assumption that all member-states have committed themselves to the norms and principles of ASEAN *in good faith*, i.e. that there is a clear intention to uphold, respect and enforce those norms.

Similarly, the ASEAN Institutes of Strategic and International Studies (ASEAN-ISIS) issued a memorandum where it was stipulated that an ASEAN Charter must provide ASEAN with effective legal and institutional frameworks in order to facilitate the achievement of the association's goals and objectives.¹⁰ The memorandum specifically noted that the Charter should not be merely a rehashing of existing

8 This referred particularly to the case of Myanmar (especially in the context of the military junta's bloody crackdown of peaceful demonstrations across the country in September 2007). More to the point, this was a sentiment expressed not only by civil society groups which are expected to be critical of the junta, it was also strongly recommended by more mainstream opinion-makers. See, for example, Barry Desker, "ASEAN: Time to Suspend Myanmar," *PacNet* 39A (4 October 2007).

9 Rodolfo C. Severino, "Framing the ASEAN Charter: An ISEAS Perspective," in Rodolfo C. Severino, comp. *Framing the ASEAN Charter: An ISEAS Perspective* (Singapore: Institute of Southeast Asian Studies, 2005): 19.

10 "The ASEAN Charter," *ASEAN-ISIS Memorandum* No. 1/2006 (Bali: 18 April 2006): 4.

norms and principles but should be more progressive and forward-looking. It included specific recommendations on organisational restructuring and included the establishment of an independent ASEAN Court of Justice. This body would have jurisdiction over:¹¹

1. ASEAN Free Trade Area (AFTA) and other economic agreements that set out binding rules;
2. Inter-state disputes between two and more ASEAN Member States that involve norms and principle of international law, where such disputes are referred by Member States; and
3. Such other ASEAN agreements as may be agreed that include legally binding rules.

The emphasis on the binding nature of rules and decisions (again not just based on consensus) comes out very clearly in these provisions, especially those that specify the rights and obligations of member-states, and the recommendations on the forms of sanctions that may be imposed in cases of non-compliance.

Generally, all these ideas reflect the generally accepted conditions for rules-based regionalism. The emphasis on clearly set principles and norms, the binding nature of these principles and decisions, the need to indiscriminately enforce decisions pertaining to the operationalisation of these principles, and the good faith involved in entering into these commitments all pointed to high expectations about the directions where the ASEAN Charter could and ought to take the association. It was almost too easy to be disappointed in the resulting document when it was finally submitted by the High Level Task Force at the Singapore Summit in November 2007.

FALLING SHORT OF EXPECTATIONS

The ASEAN Charter sets out very clearly a vision for ASEAN and, in fact, takes some important steps forward from previous declarations and statements of the association. In particular, it

¹¹ "The ASEAN Charter," *ASEAN-ISIS Memorandum* No. 1/2006 (Bali: 18 April 2006): 9.

1. commits ASEAN to the principles of democracy, the rule of law and good governance, and respect for and protection of human rights and fundamental freedoms;
2. commits ASEAN to the establishment of an ASEAN human rights body;
3. provides the legal basis for the establishment of bodies that will be responsible for coordinating the different areas of cooperation in conformity with the three pillars of the ASEAN Community, i.e. the ASEAN Economic Community (AEC), the ASEAN Security Community (ASC), and the ASEAN Socio-Cultural Community (ASCC); and
4. presents the idea that all Member States are obliged to take all necessary measures to effectively implement the provisions of the Charter and *comply* with all the obligations of membership.

The last point, however, is the key issue, which is also the source of much of the disappointment of observers regarding the ASEAN Charter. The Chair of the High Level Task Force at the time of the completion of its work, Ambassador Tommy Koh of Singapore, had pointed out that the Charter would introduce a new culture of adherence to rules and obligations to ASEAN—which would be insured by a system of compliance monitoring and a system of compulsory dispute-settlement for non-compliance that will apply to all ASEAN agreements.¹² The Charter that was accepted by the ASEAN leaders in Singapore, however, falls far short of what is implied in this statement. Particularly, three interrelated issue areas—i.e., binding decisions, compliance and sanctions, and mandatory dispute settlement—make the idea of a rules-based ASEAN more of a continuing hope than a prospective reality.

12 Tommy Koh, Walter Woon, Andrew Tan, and Chan Sze-Wei, "The ASEAN Charter," *PacNet* 33A (6 September 2007).

Binding Decisions

A rules-based environment emerges from both procedural and substantive aspects of decision-making. As noted at the start of this section, rules or decisions made must be clear to all and agreements reached must be made on the basis of good faith, i.e. that there is the intention to comply. The implication is that decisions are made to apply to all.

By and large, the binding nature of decisions made at the level of ASEAN had in the past been less of an issue because of the consensual process of ASEAN decision-making. Because a consensus approach meant that decisions could only be made on issue areas where the member-states of ASEAN were largely in agreement, it had prevented sensitive concerns from becoming divisive issues and thereby contributed to ASEAN solidarity over the years. Due to its consensus approach to decision-making, however, ASEAN was also forced to accept language in its declarations that are largely aspirational rather than explicitly binding in nature.

The Economist quoted a report from the Center for Strategic and International Studies, a US think tank based in Washington, DC, which stated that only 30% of ASEAN's agreements are ever implemented.¹³ While questions can be raised about the percentages, it does reflect perceptions that ASEAN agreements and declarations are largely ceremonial in nature with very little substance behind them. An ASEAN senior official was actually quoted as saying that it was hoped that the ASEAN Charter "would also help put into place a system in which more ASEAN agreements would be effectively implemented and enforced long after the symbolic signing ceremonies."¹⁴

The EPG recommendations sought to push the ASEAN forward by presenting options for decision-making mechanisms aside from consensus-seeking that would allow ASEAN to go ahead and make

13 See "Fifth from the right is the party pooper," *The Economist* (24-30 November 2007): 35.

14 Ralph Cossa and Brad Glosserman, "Multilateral Progress pending on Multiple Fronts," *Comparative Connections: A Quarterly E-Journal on East Asian Bi-lateral Relations* (October 2007): 6.

binding decisions even on potentially divisive issues. This included the possibility of seeking a two-thirds majority vote on some issues. The Charter drafters decided instead to retain the consensual nature of ASEAN decision-making with all its limitations. To allow for flexibility, however, the drafters included an "ASEAN Minus X" formula but only for economic initiatives where the capacity to participate is not universal.¹⁵ This would, as one critic described it, allow "those not quite ready for prime time to opt out . . . [in order to] facilitate the achievement of ASEAN's more lofty economic goals . . . among those who are willing."¹⁶

While understandable in its practical intentions, it also shows how even in economic cooperation (which is supposed to be the showcase area of ASEAN cooperation), there are already expectations that ASEAN agreements are more likely to involve coalitions of the willing rather than being an "ASEAN agreement." In the economic arena, this will create moral hazard issues for ASEAN's less developed members, and no sense of urgency on the part of the more economically progressive members to consider measures that would help reduce the development gap between them and the other ASEAN members.

The extent to which decisions are binding, and the implied good faith behind them, also present continuing problems for ASEAN in relation to the case of Myanmar. The commitment to democracy and human rights that is part of the progressive aspects of the Charter only becomes meaningful if there is a serious intent to put into place mechanisms that will allow for the enforcement of human rights protection across the region. There is a provision in the Charter for the eventual establishment of a human rights body. Critics point out that without further details, "it is difficult to envision a 'human rights body' with any teeth or credibility."¹⁷ This point will be discussed further in a different section of this paper.

15 See Section 2 of Article 21 in Chapter VII of the ASEAN Charter.

16 Ralph A. Cossa, "ASEAN Charter: One (Very) Small Step Forward," *PacNet* 48 (21 November 2007).

17 *Ibid.*

What is of concern here is that the decision-making process in the Charter allows interested parties to create obstructions to the actual establishment of such a body, or, in the event that it is established, endowing such a body with any real influence and authority over human rights observance by countries in the region. Being questioned here is the intention to take seriously obligations (especially on human rights) that the Charter imposes on the ASEAN member-states. One article noted that the leader of Myanmar had no qualms signing on to a document that would commit his government to human rights and democracy (and all that this implies for the survival of the military junta in Myanmar) because "the charter contains little more than waffle. It commits ASEAN's leaders to nothing that matters."¹⁸ This is a serious charge, but it has its basis in the procedural and substantive contents of the Charter's provisions on decision-making.

Compliance and Sanctions

The seriousness with which states take their obligations under the Charter seriously would have more credibility if there were very clear structures for ensuring compliance. The EPG Report, and other groups that had submitted recommendations for consideration and possible inclusion in the Charter emphasised the importance of non-compliance mechanisms, especially sanctions. Barry Desker, Dean of the S. Rajaratnam School of International Studies in Singapore, was even more specific in mentioning who should be the immediate test case for this. He called for the suspension of Myanmar from ASEAN to give credence to the statement of the ASEAN Ministers against the military junta's violent crackdown against demonstrators in Yangon and elsewhere in the country. He noted that ASEAN must adopt clear standards of behaviour for its members and, more importantly, to agree on what will be its course of action if a member blatantly flouts its obligations.¹⁹

¹⁸ "Fifth from the right," *op. cit.*, 35.

¹⁹ Desker, *op. cit.*

Considerations of ASEAN solidarity, however, have taken precedence over substantive concerns that may affect the credibility of ASEAN norms and values, and what the ASEAN Community stands for. Early in the process of the work of the High Level Task Force, it was decided that provisions on discipline would be left out of the Charter to make the language less divisive.²⁰ Instead, a provision was included that referred questions of discipline regarding cases of serious breach of the Charter or cases of non-compliance on provisions of agreements to the ASEAN Summit.²¹ This effectively gives the state involved a veto on what should be done to it. The recommendations of ISEAS and ASEAN-ISIS recognised this conundrum, and they addressed this by explicitly excluding the state being disciplined in the decision-making process regarding the sanctions that would be imposed against it.²² This would have given seriousness and credibility to the process of sanctions against non-compliance or for unacceptable behaviour.

The Charter's insistence on referring such matters to the ASEAN Summit, with its decision-making via consensus approach, negates the effect of the inclusion of even a weak reference to addressing non-compliance. Foreshadowing this was the refusal of General Thein Sein to countenance a briefing by UN Special Envoy Ibrahim Gambari to be given at the ASEAN Summit in Singapore in November 2007. The Singaporean government, host of the Summit as current Chair of the ASEAN Standing Committee, had invited Gambari to talk to the ASEAN leaders about his mission to Myanmar. The invitation had to be withdrawn when other member-states echoed the objection of Myanmar. ASEAN Secretary General Ong Keng Yong explained this again in terms of ASEAN solidarity: "We don't want to come across as being too confrontational in a situation like this."²³

20 This was explained by Ambassador Manalo during her talk at the University of the Philippines on 6 September 2007.

21 See Section 4 of Article 20 in Chapter VII of the ASEAN Charter.

22 See Severino, *op. cit.*, 27; and ASEAN-ISIS Memorandum 1/2006, *op. cit.*, 10-11.

23 Cossa, "ASEAN Charter," *op. cit.*

Mandatory Dispute Settlement

A dispute settlement mechanism provides the basis not only for peaceful interaction, but also for building confidence in the institutions of the Association, and, therefore, in the process of community building. Ambassador Koh's projection that the Charter would provide mandatory dispute settlement mechanisms which in turn would be key to the culture of adherence to rules that would characterise ASEAN in the future also falls short of what could have been. Institutionally, the Charter does not provide for a specifically ASEAN mechanism in the mode of the ASEAN Court of Justice recommended by the ASEAN-ISIS. Instead it presents a collection of existing and prospective options for dispute settlement among the ASEAN states.

ASEAN, through the Chair or the Secretary General, may provide good offices, conciliation or mediation *if requested* by the parties to the dispute.²⁴ Otherwise, in cases involving disputes subject to an existing ASEAN instrument, disputing parties must use the dispute mechanism specified in the instrument. Absent those mechanisms and procedures (and only ASEAN economic instruments actually have dispute mechanisms instituted), there is really no mandatory way by which the ASEAN states can settle disputes amongst them. The rules of procedure for peaceful settlement of disputes in the Charter only provides a guideline in the peaceful settlement of disputes that have nothing to do with specific ASEAN instruments. This is actually a step back from the Vientiane Action Programme, which at least promotes the High Council of the Treaty of Amity and Cooperation in Southeast Asia (TACSEA) as a preferred option for dispute settlement and actually recommends strengthening it to make it more effective for this purpose.²⁵

Even disputes emanating from and involving questions of interpretation or application of the provisions of the Charter do not

²⁴ See Article 23 in Chapter VIII of the ASEAN Charter.

²⁵ Association of Southeast Asian Nations. *Declaration of ASEAN Concord II (Bali Concord II)*. (Jakarta: ASEAN Secretariat, 2006): 47-48.

have a specific way of being resolved. Article 25 and 26 of the Charter merely states that appropriate dispute settlement mechanisms shall be established for disputes that concern the Charter and will be referred to the ASEAN Summit for a decision should the application of such mechanisms fail to lead to a resolution. The absence of clear rules on how decisions will be made by the Summit, however, does not create confidence in this process.

The ad hoc nature of dispute settlement as presented in the Charter leaves much to be desired if part of the intention of introducing this mechanism is to strengthen confidence in the institutions of the ASEAN Community, i.e. that states and other entities can use ASEAN mechanisms with a degree of certainty that clearly set rules of procedure will facilitate the making of a decision. Otherwise, disputing states will always give preference to settling issues outside of ASEAN in much the same way that Indonesia and Malaysia went to the International Court of Justice to settle the issue of Sipadan and Ligitan instead of the less institutionalised ASEAN High Court. As noted in the earlier section, the legitimacy of ASEAN institutions will eventually depend on their clarity, their generality, their consistency with one another, and their constancy over time – conditions that will only make sense if these institutions are actually made use of.

ASEAN AND ITS CONTINUING PAST: PROSPECTS FOR COMMUNITY BUILDING

Overall, the key issues regarding the Charter's provisions which give substance to the claim that ASEAN now faces a future that is going to be characterised by greater adherence to rules, i.e. decision-making processes, compliance and sanctions, and dispute settlement mechanisms, do not really present a picture of significant change over ASEAN in the past. To a large extent, ASEAN's past is still its present. The two major issues that have concerned ASEAN in the past and which have formed major concerns for greater ASEAN integration have been Myanmar and reducing the development gap between the CLMV countries CLMV (Cambodia, Laos, Myanmar, and Vietnam) and the rest of ASEAN. Both issues are fraught with complications,

and the ASEAN Charter does not really provide a way by which those complications can be lessened.

The case of Myanmar is perhaps the more disappointing of the two though in reality this is an issue where there are clearly no surprises. The disappointment comes from expectations that have emerged over time where Myanmar's ASEAN partners have shown indications of running out of patience with the Yangon regime's apparent prevarication over its stated commitments to enforcing a democracy roadmap. The overall effect has been that Myanmar has cost ASEAN quite an amount of social capital in its relations with its dialogue partners, especially Australia, the European Union, and the United States, not to speak of an increasingly active, organised and vocal regional civil society in Southeast Asia.

As shown in the discussion in the previous section, the drafting of an ASEAN Charter was welcomed by many of those involved in and with ASEAN as an opportunity for ASEAN to establish the legal framework that would be the basis for pressuring the military junta in Myanmar into instituting domestic political reform. The result was certainly less than what was hoped for and points to continuing awkwardness within ASEAN (especially if the military junta acts more aggressively in limiting the influence of ASEAN over the issue of domestic political reform in Myanmar) and in its relationship with its dialogue partners.

On the other hand, there is the real concern that an openly critical treatment of Myanmar by some of the ASEAN member-states could have the effect of dampening the enthusiasm of the other newer members of ASEAN. It is in this context that an active regional civil society would play an important role in pushing ASEAN community building along normative lines that are more in line with the stated commitments in the Charter to democracy and human rights.

The involvement of civil society groups in the work of the EPG and the High Level Task Force illustrates the changing nature of ASEAN community building. While ASEAN has always been predominantly an inter-governmental association, it is increasingly broadening its constituency. It was primarily due to this broadened constituency to

which ASEAN owes the more progressive elements of the Charter. Article 14 of the Charter commits ASEAN to the establishment of an ASEAN human rights body.²⁶ The fact that there is such a commitment in the Charter can be directly attributed to the lobbying and networking that the Regional Working Group for a Human Rights Mechanism in Southeast Asia had engaged in since 1996.

Critics of the Charter have pointed out that the provisions on the human rights body do not really give it teeth, and therefore is not really all that credible.²⁷ Again, the main fear is that some ASEAN member-states (Myanmar in particular) would block the actual establishment of such a body, or, failing that, would spare no effort to make the body that will emerge practically powerless to influence human rights policies around the region. This goes back to the ASEAN insistence on a consensus-based decision making process that the Charter reaffirms. ~

At the same time, however, the presence of provisions for the establishment of a human rights body and the explicit commitment made by ASEAN to democracy and human rights protection actually gives advocates an opening for pushing for a quick resolution on the establishment of a regional human rights body, and even influencing the nature of that body and the extent of its authority. The inclusion of Article 14 in the Charter had much to do with the hard work of civil society groups using a provision in the 1993 Joint Declaration of the ASEAN Foreign Ministers promising to look into the establishment of a regional human rights mechanism.

Using that experience as a model for civil society engagement with ASEAN on specific issues, networking activities and alliances with like-minded individuals and governments would pave the way for human rights advocates to be able to push for an early start to the establishment of a regional human rights body which will be effective in influencing the state of human rights protection in countries in ASEAN. This process will have great importance for community

26 See Article 14 in Chapter IV of the ASEAN Charter.

27 See Cossa, "ASEAN Charter," *op. cit.*; and "Fifth from the right," *op. cit.*, 35.

building in ASEAN, particularly in terms of broadening participation in regional affairs.

Broadening participation means a different thing altogether when looking at the key ASEAN objective of increasing economic integration. Here, the main concern is being able to reduce the development gap between the CLMV countries and the other members of ASEAN in order to facilitate their participation as full partners in the ASEAN Economic Community (AEC). Vietnam has made great strides in economic development, but Cambodia, Laos and Myanmar are nowhere near making inroads in the development gap between them and the other ASEAN states.

Interestingly, it is in the area of economic cooperation that the Charter makes very little headway. This is, at one level, not all that surprising as ASEAN has already put into place important building blocks as the foundations for the continuing process of economic integration. These include agreements on the ASEAN Free Trade Area, the ASEAN Framework Agreement on Services, and the ASEAN Investment Area. The disappointment in the Charter on this area is the lack of provisions that specifically addressed the question of helping the CLMV countries in their endeavor to close the development gap.

The Charter contains as part of the purpose of ASEAN the commitment to alleviate poverty and narrow the development gap within ASEAN through mutual assistance and cooperation.²⁸ This is a key concern because buying into the idea of an ASEAN Community must bring with it the sense of material benefits. On the other hand, participation in and gaining full benefit from the process of economic integration is premised on the possession of the capacity to be a full participant, i.e. a certain level of economic development must have been achieved by the participant states.

For the CLMV countries, this would mean financial and technical assistance, transfer of technology, education and training facilities.²⁹

28 See Section 6 of Article 1 in Chapter 1 of the ASEAN Charter.

29 Dennis Hew, "Towards an ASEAN Charter: Regional Economic Integration," in Severino, comp. *Framing the ASEAN Charter*, *op. cit.*, 36.

There is, however, very little detail in the Charter on how these are specifically going to be addressed. One specific recommendation involved the idea of EU-style cash transfers from rich to poor countries.³⁰ This would have meant a socialised form of assessment of fees. The Charter's affirmation, however, of the existing ASEAN practice of equal contributions (to symbolise the equal stake of every member country) has made this unlikely.

The Charter, though, affirms that economic progress for the rest of ASEAN should not be held hostage by the lack of capacity of the CLMV countries. This is the reason why a formula of "ASEAN Minus X" was introduced to allow for flexible participation in the implementation of economic commitments.³¹ This has less to do with recognising the diversity of capacities within ASEAN, as it is a product of a cold calculation not to hold back those who might be willing and capable to participate in these initiatives and therefore partake of the benefits accruing from them.

The formula also does not have time specification or even the suggestion of a time limit as to how long before anyone in the X side of the formula must be expected to participate. It therefore creates the possibility of a moral hazard wherein the CLMV countries may not try very hard to catch up on economic commitments especially if they are going to be subject to the stricter non-compliance standards that the ASEAN economic agreements contain. It is also illustrative of the lack of substantive concern that the more advanced countries in ASEAN have for the plight of the CLMV countries.

Overall, the formula may only contribute to the deepening of the gap between the CLMV countries and the other ASEAN member-states unless there is an explicit expectation of a time limit as to when the CLMV countries can be expected to be full participants in economic initiatives. This continued institutionalisation of the different tiers of the ASEAN member-states will reflect on how ASEAN's dialogue partners, especially its economic partners, will deal with the ASEAN

30 "Fifth from the right," *op. cit.*, 35.

31 See Section 2 of Article 21 in Chapter VII of the ASEAN Charter.

Community – less a community or economic bloc and more as ten separate markets.

The prospects, therefore, for ASEAN are really no different from before the introduction of the ASEAN Charter. To a large extent, it is precisely the kind of document that the ASEAN-ISIS warned against—a codification of existing documents. It does have its more progressive aspects and actually advances ASEAN norms (particularly on commitments to human rights) from before, but it is still held back by the embedded norms of strict interpretations of the principle of non-interference, and the affirmation of consensus-based decision-making processes. The decision to champion ASEAN solidarity over substantive and normative progress has resulted in less than the rules-based regionalism that was bandied about prior to the submission of the final draft of the Charter. A final question remains: Will the Charter as it stands now pass national processes of ratification?

President Gloria Macapagal-Arroyo of the Philippines has already served warning that Myanmar's human rights record and lack of progress in the implementation of its democracy roadmap might lead the Philippine Senate to reject the Charter.³² It bears to reflect on the question of whether or not ASEAN is better off with the Charter as it is currently formulated. Would it serve ASEAN's best interests for this Charter to be rejected by any of the ASEAN countries? What happens then? The Charter is supposed to be ASEAN's framework and guidepost for the future. If ASEAN's past is still its present, must it also be its future? It is worthwhile thinking about these questions.

32 Quoted in Cossa, *op. cit.*, and "Fifth from the right," *op. cit.*, 35.

THE ASEAN CHARTER AND THE BUILDING OF AN ASEAN SECURITY COMMUNITY

Carolina G. Hernandez

INTRODUCTION

When the Association of Southeast Asian Nations (ASEAN) adopted in October 2003 the Bali Concord II seeking to realise an ASEAN Community by 2020, observers of regionalism especially in Southeast Asia cheered. Several even dared to allow euphoria to get the better of them but most shared a feeling of cautious optimism, knowing that ASEAN's track record of four decades although quite remarkable in keeping regional peace is discouraging and spotty at best in institution-building and implementation of decisions reached by consensus.

When the ASEAN Charter was made public, the cautious optimists were proven right. Although the declarations of its Leaders provided hope for an ASEAN enabled to deal effectively with the multifaceted and complex challenges it faces in its fifth decade and beyond, the Charter, beyond its purposes and principles and seeking to become a legal entity proved to be predominantly a codification of the ASEAN way of doing things, making decisions still based on consensus and enforcement questionable, as well as adding other bureaucratic layers in its already unwieldy structure.

The Bali Concord II seeks to realise an ASEAN Community of three pillars: an economic community, a security community, and a socio-cultural community. Since its adoption, its Leaders appeared to

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be sending strong signals that the ASEAN Charter would facilitate the realisation of the ASEAN Community of three pillars as well as enable ASEAN to hold the centre or core of East Asia community building. Community building both in Southeast and East Asia is intended to achieve a wider security community, one where the use of force in settling inter-state disputes would no longer be resorted to by the parties. In the exuberance and optimism of the ASEAN Leaders, they even moved the timetable for the realisation of such a community from 2020 to 2015 for the ASEAN Economic Community (AEC) for which a blueprint has also been adopted.

It is the task of this paper to determine whether and how the ASEAN Charter would be able to contribute to the building of a security community in the ASEAN region and the broader East Asia. The paper first discusses the ASEAN Security Community, followed by the development of the ASEAN Charter. It then analyses the issue of whether the ASEAN Charter would be able to empower ASEAN to build a security community, including the opportunities and challenges building such a community presents. It concludes with an analysis of future prospects.

THE ASEAN SECURITY COMMUNITY

Views on community building within ASEAN began to heat up especially after the Asian financial crisis of 1997. The ASEAN region was seen as the economically fastest growing region in the world, having benefited from the “flying geese” model of economic development fostered by Japan. Combined with Japan, South Korea, Hong Kong, and Taiwan, the ASEAN region gained some weight in international relations during this period. In fact, Europe’s attraction to the Asia-Europe Meeting (ASEM) was driven by economic opportunities offered by this fast-growing region.

The ASEAN Vision 2020

The financial crisis hit key economies in this region hard – Thailand, Indonesia, Malaysia, and South Korea in particular. Concern that its erstwhile chief magnet to the outside world – its fast-growing

economy—now weakened by the financial crisis would undermine its value, ASEAN adopted its Vision 2020 in November 1997 as a signal to its resolve to recoup its pre-crisis standing. The Vision sought to make ASEAN “a concert of Southeast Asian nations” governed by the Treaty of Amity and Cooperation (TAC), the Treaty establishing Southeast Asia as a Nuclear Weapons-Free Zone (SEANWFZ) and a Zone of Peace Freedom and Neutrality (ZOPFAN) where its partners also abide by these norms of interstate conduct; “a partnership in dynamic development” through measures to narrow the development gap among its member states and deeper economic integration among them; “a community of caring societies” enriched by the region’s cultural diversity but redressing in common regional problems; and “an outward-looking ASEAN” espousing open regionalism and made more effective through institutional reform of the ASEAN Secretariat.¹

The member states adopted the Hanoi Plan of Action (HPA) setting forth the measures they will take during the first six years of the Vision’s implementation. Driven by the desire “to narrow the development gap” among its members, the HPA did very little to address the other aspects of the vision, particularly those required in building a security community. However, they also sought to address the issue of meeting a similar financial crisis in the future through improved regional financial and economic cooperation at a wider level by adopting the ASEAN+3 process together with China, Japan, and South Korea. Joining the larger economies of Northeast Asian states also served to avert ASEAN’s being sidelined in inter-regional cooperation such as in ASEM, at the same time that it crafted a role in East Asian community building for itself. ASEAN was well aware that the plus three countries (China, Japan, and South Korea) have outstanding historical, strategic, and other divisive issues between them and would require an interlocutor to prosper regional cooperation.

Thus, ASEAN became an active player in the forging of an East Asia community through the South Korean-led East Asia Vision Group

1 “ASEAN Vision 2020,” Kuala Lumpur, November 1997.

(EAVG) and the East Asia Study Group (EASG). The latter made a number of recommendations, both for the short and long terms for the building of an East Asia community. The first ten years of ASEAN+3 cooperation focused on economic and financial cooperation, but also included cooperation in non-traditional security issues such as global terrorism (after 9/11) and maritime security, as well as social issues such as poverty and gender. Habits of cooperation and interaction are considered important in the building of a security community.

In the meantime, ASEAN soon recovered from the political and economic effects of the financial crisis, restoring its self-confidence as a regional player. Further integration into the larger East Asia especially the rapidly growing Chinese economy was a major factor for such recovery. On the domestic front, Indonesia began to regain stability with its peaceful succession of leaders after Suharto; Malaysia effected a transition from Mahathir to Badawi; and Thailand's democratisation appeared on track with the popular election of Thaksin and the seeming inhibition by the Thai military to take power.

The Bali Concord II

Thus, in October 2003, the ASEAN Leaders adopted the Bali Concord II already noted above. This was preceded by their decision to set up an ASEAN Economic Community (AEC) as a response to a study commissioned by its finance ministers on ASEAN competitiveness. The McKinsey study showed that to recover its competitiveness, ASEAN needs to become a single production base and a single market. Indonesia signalled its resolve to take on the informal leadership of ASEAN by proposing the establishment of an ASEAN Security Community (ASC), the rationale being that an economic community would not be realised without a security community. Not to be outdone, the Philippines proposed the establishment of a third pillar – the socio-cultural community (ASCC). Thus, was born the Bali Concord II. It is notable that these pillars reflect the elements of the ASEAN Vision 2020 adopted in 1997.

When born as a concept, the ASEAN Security Community reflects some form of acceptance by the Leaders that ASEAN regionalism

cannot prosper if the gaps between and among its members are not narrowed sufficiently. If in the European Union, candidate members needed to become democratic polities and market economies for which cohesion funds are provided before formal admission, in ASEAN, because there are no pre-admission requirements other than falling within the ASEAN geographical footprint, the levelling off in political regime types and economic systems would take place after admission through the ASEAN Security Community.

Thus, the Bali Concord II put the ASC ahead of the AEC and ASCC. The ASC (1) is envisaged to bring the grouping's political and security cooperation to a higher level so that the Southeast Asian countries can live at peace with each other and with the outside world in "a just, democratic, and harmonious environment"; (2) subscribes to the principle of comprehensive security and is not intended to be a defence pact; (3) adheres to the principle of non-interference; (4) abides by international norms of interstate conduct, including those in the UN Charter; (5) promotes maritime security; (6) recognises the Declaration on the ZOPFAN, the TAC and SEANWFZ as pivotal to CBMs, preventive diplomacy, and conflict resolution; (7) includes the High Council of the TAC as a dispute settlement mechanism; (8) maintains the ASEAN Regional Forum and ASEAN's role as "the primary driving force" in regional peace and security in the Asia Pacific based on "a pace comfortable to all"; (9) is open and outward looking embracing ASEAN's dialogue partners; (10) shall use existing ASEAN mechanisms to strengthen national and regional capacity for counter terrorism, trafficking in drugs and natural persons, and other forms of transnational crime, to maintain the region safe from WMDs; (11) explores cooperation with the UN and other international bodies to promote peace and security; and (12) explores "innovative ways" to enhance regional security and set up modalities for the ASC including norms-setting, conflict prevention, approaches to conflict resolution, and post-conflict peace-building.²

2 "The Bali Concord II," 7 October 2003.

The Vientiane Action Programme

As in the ASEAN Vision 2020, ASEAN adopted forthwith the Vientiane Action Programme (VAP)³ representing measures to implement the Bali Concord II. For the ASC, the VAP listed specific areas of activities for its five elements, namely, political development, shaping and sharing of norms, conflict prevention, conflict resolution, post-and conflict peace-building. To bring political and security cooperation to a higher plane, political development "to achieve peace, stability, democracy and prosperity" shall be the highest political commitment by the Leaders since these shared values are required by the new domestic dynamics in ASEAN countries. In this context, the ASEAN countries "shall not condone unconstitutional and undemocratic changes of government or the use of their territory for any actions undermining peace, security and stability" of other ASEAN member states.

The shaping and sharing of norms, on the other hand seeks to achieve a standard of common adherence to norms of good conduct, consolidate and strengthen regional solidarity, cohesiveness and harmony as well as contribute to building "a democratic, tolerant, participatory and transparent community" in the region. Annexed to the document is a list of specific activities for each of the elements. However, the adoption of the Blueprint for the AEC, apparently signalled the substitution of the blueprints for the VAP in each of the three pillars. The blueprints for the ASC (now called the ASEAN Political and Security Community of APSC, following the signing of the ASEAN Charter at the 13th Summit in Singapore in November 2007) and the ASCC are still in the process of being formulated. Consultations with "civil society groups" including think tanks and academic institutions continue until they are ready for adoption later in 2008.

The VAP is seen as a progressive step towards building a security community and advancing the cause of human rights promotion in the

3 The cited parts of this section are taken from "Vientiane Action Programme," adopted on 29 November 2004.

region. It included strengthening democratic institutions and popular participation, the rule of law, judicial systems, and legal infrastructure; preventing and combating corruption, building networks among human rights institutions and protecting vulnerable groups; among a long list of measures. The ASEAN Senior Officials Meeting (SOM) even tasked a track two group within the region seeking to establish an ASEAN human rights mechanism⁴ to assist ASEAN in developing concrete proposals for the establishment of regional bodies for the promotion of the rights of women (under CEDAW) and children (under the CRC) and a regional human rights body.

THE ASEAN CHARTER: A BRIEF BACKGROUND

During the 11th Summit held in Kuala Lumpur in November 2005, the Leaders decided to appoint a group to study the issue of developing an ASEAN Charter with the understanding that such a document would not only make ASEAN an intergovernmental organisation with a legal personality, but also to prosper community building as articulated in the Bali Concord II, as well as make the association "a people-centred ASEAN". In one of the recent speeches of the current ASEAN Secretary-General, Dr. Surin Pitsuwan,⁵ he discussed the role of ASEAN in East Asia community building. He noted the contribution of the ASEAN+3 process with ASEAN as the driving force in enabling the plus three countries to interact directly with each other, no longer with ASEAN interlocution. He noted that while this is a welcome development, it also runs the risk of ASEAN's role in East Asia community building to be weakened. He said that ASEAN's answer to this situation is the ASEAN Charter. He however, did not elaborate how this might be so.

4 This is the Working Group for a Regional Human Rights Mechanism interacting with the ASEAN SOM and Foreign Ministers since the late 1990s. The WG is composed of human rights advocates, members of national human rights institutions, and national focal points for this advocacy.

5 Dinner address on the occasion of the 25th Anniversary of the Institute of Strategic and International Studies Malaysia, Kuala Lumpur International Convention Center, 2 June 2008.

The EPG Report

Given this background, the Leaders formed the Eminent Persons Group (EPG) on the ASEAN Charter. Chaired by Malaysia's former Deputy Prime Minister Tun Musa Hitam, the EPG included such eminent personalities as former Philippine President Fidel V. Ramos, former Indonesian Foreign Minister Ali Alatas, and former Singaporean Foreign Minister Professor S. Jayakumar. The EPG conducted consultations with ASEAN civil society groups, including the Working Group on a Regional Human Rights Mechanism (WG) and the ASEAN Institutes of Strategic and International Studies (ASEAN ISIS).

The EPG Report⁶ submitted to the 12th Summit in Cebu in January 2007 was well received by the relevant civil society groups and by analysts and observers of ASEAN affairs. Among its recommendations relevant to community building include "expressing the resolve to realise an ASEAN Community and ultimately an ASEAN Union"; and the establishment of separate councils for each of the three pillars to implement and attain their respective purposes and objectives. Relevant to the building of a security community are some principles that should be included in the ASEAN Charter such as mutual respect for national sovereignty, territory and independence, non-use of force and exclusive reliance on peaceful processes in dispute settlement, non-aggression, non-recognition of unconstitutional and undemocratic changes of government, upholding generally recognised principles of international law including international humanitarian law, rejection of acts of genocide, ethnic cleansing, torture and rape as an instrument of war, rejection of discrimination based on gender, race, religion or ethnicity, etc.

To prosper the building of an ASEAN Community, the Report included recommendations for the Leaders "to meet more often [at least twice a year] to give greater political impetus" to community building; to set up three ministerial level councils reporting to the

⁶ The cited parts of this section are taken from "Report of the Eminent Persons Group on the ASEAN Charter."

Leaders to verse the three pillars of the ASEAN Community; "to harmonise regional economic policies and strengthen regional linkages and connectivity". Noting that ASEAN is not deficient in vision, ideas, or action plans, the Report made recommendations on "taking obligations seriously" including the establishment of dispute settlement mechanisms in all fields of ASEAN cooperation; empowering the ASEAN Secretariat with monitoring compliance by member states and reporting its findings to the Leaders; take measures against failure to comply with obligations including "suspension of any rights and privileges of membership [but no expulsion without the Leaders' agreement].

To strengthen organisational effectiveness, the Report recommended many measures, including giving more power to the Secretary-General; setting up full time Permanent Representatives of member states in Jakarta; increasing the Secretary-General's deputies from two to four with oversight functions in various aspects of regional cooperation, external relations, administrative and budgetary matters; recruitment of professional staff for the Secretariat; conferring legal personality to ASEAN; and to improve the efficiency of meetings.

More effective decision making could be achieved, according to the Report if ASEAN were to adopt more flexible decision making mechanisms as it upholds consensus decision making not to impede, but to aid ASEAN cohesion and effectiveness; the adoption of voting in the absence of consensus based on rules made by the Leaders; and a flexible application of the "ASEAN minus X principle" or "2 plus X" upon discretion of the three communities.

Finally, the Report urged ASEAN "to shed its image of being an elitist organisation comprising exclusively diplomats and government officials" and to do more "to consult ASEAN institutions, Parliamentarians in ASEAN Member States (AIPA) and the people of ASEAN in all sectors of society". Towards this end, the EPG recommended that ASEAN be cultivated "as a people-centred organisation and to strengthen the sense of ownership and belonging among its people", and for ASEAN's principal organs to "undertake regular consultations" with all relevant stakeholders such as AIPA,

civil society representatives, business, human rights groups, academic institutions and other stakeholders in ASEAN. The Report included in its Annex B a scheme for these regular consultations.

The Report provided several avenues to empower ASEAN in ensuring that its charter when formulated community building would be facilitated especially in decision-making processes and implementation or enforcement of agreements reached.

The High Level Task Force

Following the submission of the EPG Report, the ASEAN Leaders appointed the High Level Task Force (HLTF) to draft the ASEAN Charter. Chaired initially by retired Philippine Ambassador Rosario Manalo who served as consultant to President Ramos in the EPG work and subsequently by retired Singapore Ambassador Prof. Tommy Koh, the HLTF was composed of ASEAN Directors-General and retired diplomats. Its mandate was circumscribed by “marching orders” from the ASEAN Foreign Ministries that the Charter should be visionary but practical, maintain consensus decision making, not include sanctions, but to include an enabling provision for the setting up of a “regional human rights body”.

Like the EPG, it also conducted consultations with civil society groups in numerous ASEAN capitals and other regional locations. However, the composition of the HLTF ensured that however “progressive” the EPG Report and recommendations might have been especially in empowering ASEAN for community building and related purposed, the ASEAN Charter when finished reflected the lack of political will of the overwhelming majority of its Leaders to empower ASEAN so that its vision which the Leaders themselves agreed to adopt through the ASEAN Vision 2020, HPA, Bali Concord II, and the VAP in particular would be realised.

THE ASEAN CHARTER AND THE EMPOWERMENT OF ASEAN

The ASEAN Charter as drafted by the HLTF was signed by all the ten heads of state/government of the ASEAN member states in Singapore in November 2007. It requires the ratification of all ten of

them to come into effect. So far, three out of the ten have not yet ratified the document. It is not coincidental that these three member states happen to be polities in various stages of transition to democracy in which the ratification of any international agreements requires the consent of their parliament. These are Indonesia, the Philippines, and Thailand.

The Charter has codified the ASEAN processes and practices, including the ASEAN way of doing things (Chapter I—Purposes and Principles). It ignored many of the key recommendations of the EPG that would have empowered ASEAN including in the building of a security community, such as holding member states accountable for non-compliance to agreements, using other modalities beyond consensus in decision making, empowering the ASEAN Secretary-General and the Secretariat to monitor and report on the progress of community building, and omitting various principles that would have discouraged unconstitutional and non-democratic changes in government and helped promote peace at the domestic and regional levels.

Instead of streamlining its work for greater efficiency the Charter added new layers of bureaucracy. It reinforced the pre-eminent position of the Foreign Ministries, through the ASEAN Coordinating Council (Article 8) within the ASEAN structure as second only to the ASEAN Summit (Article 7) consisting of the Leaders. It divided ASEAN civil society groups in numerous ways including in responding to the enabling provision for the establishment of an ASEAN Human Rights Body. By failing to empower ASEAN, it undermined community building and keeping ASEAN at the centre or the driving force in East Asia community building.

Empowerment of ASEAN as Precondition for the ASEAN Community

Without an empowered ASEAN that is capable of curing one of its major deficits—that of implementation and enforcement—it is not likely that community building both at the ASEAN and East Asian levels would be facilitated. ASEAN member states are keen to reap the benefits of economic growth and economic integration, among which

is the narrowing of the development gap. However, they are not keen to undertake measures that would ensure the realisation of a security community in Southeast Asia. One only has to revisit the ASEAN way and how it is enshrined in a legal document, such as the Charter, one that proponents of ratification claim as binding on its members (even as there is no prescribed punitive action in case of violation even of the Charter itself!) to realise that ASEAN can conduct business-as-usual even without the Charter coming into force!

Moreover, a revisiting of the ASEAN Security Community's five elements as described in the Bali Concord II would already tell us that conducting business as usual would not lead to the realisation of this envisioned security community. These five elements, particularly political development and the shaping and sharing of norms are extremely challenging tasks for a group of countries that until the end of the Cold War might be classified as "a club of dictators".⁷ They are generally averse to any dilution of national sovereignty as seen in their resistance to the international character of human rights, the responsibility to protect as a new interpretation of national sovereignty in an age of globalisation that has shrunk the world in fundamental ways, and measures that would increase the arena of regional and global joint action infringing on their autonomy as state actors.

Note for example that the Bali Concord II included under the section on political development the commitment (seen in the use of "shall") of member countries "not to condone unconstitutional and undemocratic changes of government". Yet while the EPG Report retained this commitment, it was omitted from the Charter. Might it not be the case that when the member states agreed to its inclusion in both the Bali Concord II and the EPG Report that they knew it could be "dealt with" by the HLTF? This is a case of the left hand taking back what the right hand of the same person has given!

Moreover, shaping and sharing of norms would require going beyond existing norms already practiced in ASEAN so long as they

⁷ This term is borrowed from M.R. Sukhumbhand Paribatra, former Thai Member of Parliament and member of the faculty at Chulalongkorn University

do not contradict the 5 fundamental principles enumerated in the Bali Concord II. These principles are (1) non-alignment; (2) fostering of peace-oriented attitudes of ASEAN member states; (3) conflict resolution through non-violent means; (4) renunciation of the use of WMDs and avoidance of an arms race in the region; and (5) renunciation of the threat or use of force.⁸ Obviously, the building of a security community would require new norms that would have to be developed, shaped, and shared widely in the region. It should include popular participation both in the shaping and the sharing of these norms.

To empower ASEAN is to include its stakeholders as recognised in ASEAN's various vision statements and by the EPG Report. However, instead of providing for mechanisms for regular consultation, the Charter simply said that "ASEAN may engage with entities which support the ASEAN Charter" listed in Annex 2. This list will hardly yield the kind of civil society engagement necessary for building an ASEAN community, including a security community. The relevant provisions in Article 16 – Entities Associated with ASEAN are neither encouraging nor empowering. Not encouraging because the prescription for the rules of procedure and criteria for engagement lies in the Committee of Permanent Representatives—the member states' ambassadors to ASEAN—upon the recommendation of the Secretary-General. These ambassadors are unlikely to go against the directive of their governments that are not likely to empower ASEAN as seen in the above discussion, even with a progressive Secretary-General as Dr. Surin. Not empowering because there are no provisions for regular consultations included in the Charter. Again, this is left to the Committee of Permanent Representatives, thus ensuring the control by ASEAN governments in the matter of consultation with stakeholders.

Moreover, decision-making remains basically by consultation and consensus, although in the absence of consensus, Article 20 leaves the matter to the ASEAN Summit to decide on "how a specific

8 "Bali Concord II."

decision can be made". In the absence of any clear guidance on how the Summit is likely to act in deciding how a specific decision can be made in the absence of consensus, one might derive some clue from how the Charter appears to have been shaped by UN practice, i.e., the establishment of its legal personality and the creation of the Committee of Permanent Representatives (such as those in the UN). In the UN, the determination of whether a matter is substantive or procedural is a substantive matter requiring the unanimity of the Perm-5.

What is to prevent the ASEAN Leaders from using consensus in deciding, "how a specific decision can be made"? Assuming that they decide on a simple majority instead of by consensus (this is a case of very wild imagining on my part!), which are the 6 ASEAN member states that might support a measure that would prosper and empower ASEAN on issues like democracy, human rights, and such? Incidentally, Article 20 also says that decision over matters not reached by consensus to be made by the Summit does not supersede the modes of decision making "contained in the relevant ASEAN legal instruments". These legal instruments predated the coming into force of the ASEAN Charter and are likely to prescribe consultation and consensus! Fortunately, the mode of decision making for the economic commitments prescribed by the Charter is "flexible participation" including "the ASEAN Minus X formula".

Finally, Article 20 also says that the Summit will decide what action to take when there is "a serious breach of the Charter or non-compliance". Would the ASEAN Leaders of the ASEAN member states as presently constituted have the boldness of heart and strength of will to prescribe, in this case, the application of "sanctions" by whatever term these might be called?

ASEAN aspires to remain at the centre or the driving force in East Asia community building. This is seen in numerous documents including the ASEAN Charter which includes among its purposes: "To maintain the centrality and proactive role of ASEAN as the primary driving force in its relations and cooperation with its external partners

in a regional architecture that is open, transparent and inclusive".⁹ However, this aspiration is likely to be frustrated were ASEAN to fail in realising the ASEAN Community envisioned in the Bali Concord II.

Opportunities and Challenges

There is an opportunity to avert the negative implications of the ASEAN Charter in its present form for community building. And that opportunity is presented by the continuing non-ratification of the Charter by Indonesia, the Philippines, and Thailand. Such state of non-ratification is not likely to stall the activities ASEAN officials wish to undertake in any field of their concerns. In fact, the United States has already appointed its Ambassador to ASEAN (Article 46), ahead of the Charter's coming into force. As a codification of the ASEAN way, the Charter does not need to come into force to set ASEAN in motion towards any activity its officials and Leaders agree to undertake. Without ratification by anyone of the remaining three (Indonesia, the Philippines, and Thailand), a new charter can be drafted, one that can meet the challenges facing ASEAN today already acknowledged in ASEAN's various documents, including this present draft ASEAN Charter.

Critics of this view would say that the Charter could be amended. But of course it can. Imagine the process of amendment mirroring the harrowing negotiations that led to this watered-down draft! Instead of going through this process each time an amendment is raised, why not reject the Charter altogether at this point and go through this harrowing process only once more to produce a decent document that meets the vision of an ASEAN community of three pillars to secure ASEAN's role in building a security community in Southeast and East Asia. This time, the drafters should not hurry to meet deadlines set by the Chair of the ASEAN Standing Committee always and ever—regardless of which country is involved—mindful of one-upmanship, besting the performance (initiatives, etc.) of previous chairs regardless of the overall impact on ASEAN, its people and their future.

9 "The ASEAN Charter," Article 1.

The challenges are many, but the most important is political. There are individuals and groups seeking ratification of the ASEAN Charter within the three hold-out countries. Politics will play out on the issue of whether the Indonesian Parliament, the Philippine Senate, and the Thai Parliament would ratify the Charter. The unfortunate thing is that many of the members of these bodies may not be fully informed about ASEAN. It is hoped that they would "say **NO** to what they do not **kNOw**".¹⁰ Human rights NGOs saw the inclusion of the enabling provision on the ASEAN Human Rights Body and they already want the Charter ratified, without fully realising the implications of this charter for ASEAN and its peoples. In the case of the Philippines, President Ramos has been lobbying fellow politicians in the Senate to ratify the Charter. In a country where politics reign supreme, this presents a huge challenge to the view expressed above.

FUTURE PROSPECTS AND CONCLUDING REMARKS

Given the above, the ASEAN Charter is unlikely to bring about the ASEAN Community, including the ASEAN Security Community envisioned in the Bali Concord II. ASEAN cannot conduct business as usual to realise this community of three pillars. The Charter embodies the mentality of conducting "business as usual" as shown above.

Without the realisation of the ASEAN Community, ASEAN cannot hold the centre or remain a driving force in East Asia community building as part of the ASEAN vision of the region. As noted above, the plus three countries would reach a level of great comfort in enhancing their cooperation without the agency of ASEAN. It has begun in the bilateral meetings they hold directly, as well as in their separate summit meetings held during ASEAN annual events. If the ASEAN Charter is the answer to this development, then it has failed in its response to this challenge.

10 Congressman Teodoro "Teddy Boy" Locsin, Jr. on what politicians and other relevant Philippine actors should do in regard to the MOU brokered by Malaysia between the Philippine Government and the Moro Islamic Liberation Front regarding ancestral domain.

STRATEGIC TRENDS IN EAST ASIA

Jusuf Wanandi

INTRODUCTION

This paper discusses trends, meaning the prospective development into the future, of East Asia that consists of many layers of developments and many issues that may have some influences on the future, either each on its own or in the relations amongst them.

The last few years have witnessed a period of dramatic changes. This is not only in the sense of a shift of economic power to East Asia and the emerging markets in general from the West (with the US at the center), but also a shift away from a "unipolar" world that began in 1989 into a multipolar world. This shift started when the Soviet Unions and Communism imploded (the end of the Cold War), and when the USA become the only superpower based on the triumph of liberal capitalism and liberal democracy, seen by some as signifying the end of history.

But with the financial crisis that began in the US and the West, and earlier in the fight against global terrorism and the War in Iraq, it has become clear that a multipolar world has emerged, because the US alone could not solve all these new challenges. The US is still the "primus inter pares" among the big powers, however, because her participation and leadership in many instances are requisites to finding the solution to those new problems and challenges and where multilateral approaches in tackling many issues are critical important for the future.

GREAT POWERS RELATIONS

Due to the immediate as well as the longer-term impact of its role and leadership, the US is, still considered to be the only superpower, and mainly the predominant power in the military field. The unilateralism of the US in general, and in the Middle East, particularly in the Iraqi war, has aroused a lot of criticism and doubts among many of her friends and allies about the sensibilities of her policies. The unilateral policies concerning climate change, proliferation of AMD, invasion into Iraq, and the human rights abuses related to that and in the fight against terrorism, also have brought about criticism, distrust and a decline of her soft power in politics and security. Those are indicative of the first strategic trend concerning the US role.

And now with the trouble in the financial field globally, starting with the US home-loans and discredited investment banks, criticism and decline of trust in the US leadership are also being felt in the financial and economic fields. What does this mean for East Asia's future?

It has to be recognised that those criticisms are valid, but we also have to recognise that US policies under President Bush towards East Asia have been pretty good. Of course, US attention has been diverted to the Middle East to a large extent, but the US has adjusted her strategic presence in East Asia; strengthened her bilateral alliances; worked towards the settlement of the North Korean nuclear problem with the Chinese and stabilised her relations with China through a more stable and even handed policy towards the problem of the cross straits relations, which was especially important during the Presidency of Chen Shui-bian. By having a strategic dialogue on her economic and political economy relations with China as undertaken by Paulson and involving half of the cabinet, the US has opened up to India, another important and rising big power for the equilibrium of the region. The US also has appointed an Ambassador to ASEAN and opened its market to East Asia's exports to a very large extent; and, finally, it has increased her investments in East Asia as well.

The presence of the US in East Asia has been generally beneficial to every country in one way or the other, economically, politically or militarily. However, her soft power has declined in general because of the unilateralism and wrong policies especially in the Middle East, and particularly in Iraq, but also the Israel-Palestine conflict. That is why we should expect the next president of the US, most likely Barack Obama, to bring back her policies into balance, however difficult that will be, particularly in the economic field. The new president also needs to bring back the trust towards the USA. For that to happen, the US should become multilateral and accept that the world has become multipolar.

She also should do many things in East Asia together with countries in the region, although it could be argued whether she should become part of the emerging East Asian regional institutions or not. In the security field, we still have to look for a vehicle for multilateral cooperation, which could do more for East Asia. Strategically the region still needs to have a Summit consisting of the big powers in the region in the form of a Concert of Powers.

Obama also should support free trade as a matter of principle as this has become of critical importance to the region, and will be critical to Asia's future development. He should avoid the rise of protectionism in the US following the financial crisis. If Senator McCain is going to be the new US president, then we are going to see more of the same policies of President Bush, because he is beholden to the right wing of the Republican Party, and has been educated in "old politics" as implemented in the last few decades.

The US should also be able to overcome the financial crisis not only for her own sake, but also for the world at large in order to be able to re-establish her acceptance in the future. This is most probably going to happen under the new president.

The second strategic trend is how the relations among the three big powers of the region—China, Japan and the US—will unfold and will define the future developments of East Asia, as described in the following parts.

China

China has been doing well in the Beijing Olympic Games, and the world is still talking about the excellent achievements of China. In spite of the global financial crisis, China is still going to grow at 8-9% per annum, declining from 11%, which remains a very good achievement indeed. But the crisis is still unfolding and can do more damage to the world, including China, because global funds and FDI will be limited and exports will be curtailed due to the deep recession ahead in all the developed nations. That is why her policies to switch to domestic consumption and to inject money into the banking system are very right.

But, the problems of China itself are huge as PM Wen Jiabao recognised himself in his *Newsweek* interview (6 October 2008): problems of poverty, discrepancies between the coastal part and the inner part of China, the problems of demography and environment (water, climate, desertification, energy, etc.), and how to cope with governance under such rapid economic development and growth.

The big question is how to keep economic growth, while maintaining political stability and good governance. The real challenge is how to face a deep crisis in the future: how to keep the leadership united and how to be able to agree on the right policies. That also means allowing local governments and local party leadership to fall in line and get the support of the military.

These are big challenges, but the Chinese leadership has shown how they have moved positively in answering these possible challenges and got the support of the people at the same time, especially during the dramatic earthquake in Szechuan last May.

The Chinese leaders know the problems, and on the issue of good governance and public space they are trying how to do it over the longer term in a gradual manner, starting from elections in the villages. The other issue is how to keep corruption under control. Questions have been raised whether those efforts are too slow and tentative.

For the Chinese leadership stability is the paramount concern in order to develop and grow rapidly to be able to cope with rising

demand, employment, poverty and inequality. Rapid growth also has become an important source of legitimacy for the leadership, which has become pragmatic and has practically abandoned their socialist ideology except rhetorically. The new ideology is nationalism and the Confusion tradition as the basis for Chinese identity.

Because of the need for growth and to be able to cope with their huge problems, the Chinese leaders are doing everything possible to establish a peaceful and stable international surrounding. They have established the Shanghai Cooperation Organization to manage their relations with Russia and Central Asia, with anti-terrorism and energy as the main issues of cooperation. They have stabilised their relations with India and increased economic cooperation, although a lot of trust yet has to be established in relation to border problems and on Tibet, as well as relations with Pakistan.

With ASEAN, China has improved her relations quite dramatically. Seen as a threat 30 years ago, she has become a strategic partner, she has signed the TAC (treaty of amity and cooperation), established a FTA, joined the membership of ARF, and have developed a range of functional cooperation, and has generally increased two way economic relations.

Since China is a big country next door, this always will create some apprehensions. That is why she has to finalise the Code of Conduct on the overlapping claims on the Spratlys with ASEAN and be more transparent on her defence budget and capabilities.

Japan

Following a few years of tensions due to PM Koizumi visits to the Yasukuni shrine (which was seen as a refusal to give up her imperialistic impulses), China has now established a more normal relation with Japan, since both need each other economically (with over US\$200 billion bilateral trade annually). While it is true that China has not paid sufficient attention to Japan post World War II democratic developments and peaceful relations in the region and globally, Japan also has to be more open and willing to recognise the real atrocities, such like "Nanking" massacres, the abuses against

Chinese prisoners by the Group 871 from Manchuria, and the abuses against "comfort" women.

Hopefully the willingness to study history together and the exchange of big numbers of youth could slowly overcome the prejudices on both sides. Meanwhile, the relationships between the two peoples have become quite intense: 4 million Japanese visit China annually, there are more than 700 flights a week between them, there are more than 250 cities and prefectures sistership relations, and 70,000 Chinese students are studying in Japan.

But trust has to be created on both sides. East Asian regional cooperation has been helping this, but more could be done. For Japan, trust means greater transparency of Chinese policies, especially in the defence field, and improvements in China's political development towards good governance and pluralism. For China it is the right interpretation of history, especially of the period since 1936, which is important. For both, it is the issue of how to deal with each other as neighbours and big powers of the region that could be the critical factor for the relationship and for the region. That is why regional cooperation and institutions could assist them to find the right *modus vivendi*. US role in supporting Japan in this relationship will not be helpful. It should be left to both to find the balance in their relationship.

In the end, the most important relationship for China is with the USA. As has been explained above, the relations are stable under President Bush after the spy plane incident early in his first term. Both tried to find a *modus vivendi* and tried to expand both on the security side and economic ones, as well as on issues like democracy and human rights.

It will always be a cooperative and competitive relationship at the same time, but the integration of their economies is a big plus on the cooperative side. And China's strategy not to have her own global and regional order but instead to adapt to the existing system of world governance (with a few exceptions when her vital interests are involved) has greatly alleviated a lot of prejudice and misjudgement on the US side (and the "West" in general).

Especially at this juncture when the US is under siege and has lost some soft power and leadership, China and East Asia have been farsighted and statesmanlike not to gloat over this or be arrogant regarding the US mistakes. Not only is this appropriate because the US still has a lot of "power" left, but as history has shown her political and economic system is so flexible and innovative enabling her to make corrections swiftly and come out even stronger. So, it is not completely a lost case with the US and its future.

Besides, East Asia and China do not have competitive ideas and have benefited in general from the existing international system, despite the lacunas and setback of its implementations in several cases. In fact, the idea of China is that in the longer term the international system will be a mixed system with greater inputs and ideas coming from East Asia and China (in accordance with the multipolar system of governance). This might be closer to reality, and the trends point in that direction.

The way to end this crisis of capitalism, as dictated by the West, should be an indication of how quick this mix of values and norms will happen. East Asia and China should always learn from history. The shift of power has always been painful, and many mistakes have happened in history due to arrogance and impatience. We in East Asia, having always had the long historical perspective in mind, should therefore be patient, cooperative and inclusive in all future developments of the system of governance globally.

We have to be aware of our own weaknesses and deficiencies. We also should be aware of our obligations (as well as rights) in this process of change of the new international order, since we also have to support a system that has brought welfare, peace and stability for East Asia.

India

The economic developments and growth of India, if it could reach 60% of China's, will accordingly change India into another big power in East Asia. That recognition has made it possible for India to be engaged in the East Asia. India is even further behind on the

"catching-up" curve since it began the process later than China. Relative to America's GDP per capita, India is where China was in 1986. Even in absolute terms, it is only where China was in 1993

To appreciate the differences between India and China, one should look not only at their economic strategies, but also at their political development. Although both are the heirs to great civilisations, China's political development is inseparable from its state, while India's is inseparable from its social structure and, above all, from the role of the caste. India embraces the concept of "unity in diversity," while China follows the rule of a "unitary hard state," pursuing a single goal with determination and mobilising the maximum resources toward its achievement.

China has largely replicated the growth pattern of other East Asian success stories, although its financial system remains weak and its economy more open to FDI than those of Japan and South Korea. Its growth is based on high savings, massive investment in infrastructure, universal basic education, rapid industrialisation, an increasingly deregulated labour market, and an internationally open and competitive economy.

India's pattern of growth has been different—indeed, in many ways unique—as it has been service based. Savings are far lower than in China, as are its investments in infrastructure. India's industrialisation is quite advanced, but this has developed under an import-substitution policy and still lacks competitiveness. The literacy rate is low, although elite education is well developed. India's formal labor market is among the most regulated in the world. Regulations and relatively high protection against imports continue to restrict competition in the domestic market.

China has accepted both growth and social transformation. India welcomes growth but tries to minimise social dislocations. The Chinese state sees development as both its goal and the foundation of its legitimacy. Chinese politics are developmental, while India's have remained predominantly patron-client in nature.

India, too, is suffering from many constraints. Low savings in the public sector impose a significant limitation on capital formation. The country's political and legal systems, though well developed, are cumbersome and inefficient. Its political agenda lacks a focus on development. In addition, the growing supply of labour has not been matched by a rise in demand. As a result, overall employment has risen by only 1% per year over the past decade or so. Literacy remains low. For faster growth to be achieved, there is a need for substantially higher savings and investment, greater inflows of FDI, and much more rapid industrialisation.

India's relationship with East Asia has just started to deepen in the last several years as it has adopted its "Look East" policy, spurred both by an attraction to East Asia's economic growth and by a desire to escape the constraints of South Asia. However, since India's economy has not really opened up yet due to political constraints, and since it is following a model of development that differs from the East Asian model, its involvement in the region will take more time to materialise. It will come, but further changes in India's domestic economy and regulations (and perhaps in its domestic politics as well) are the *sine qua non* of India's increasing involvement with East Asia. It may take another five to ten years for that to happen more profoundly.

India is now already involved in the East Asia Summit, and its greater engagement with the region could be useful. The summit, as a body dealing with strategic issues, should indeed be the right forum for India, since the latter has left its footprint in the region historically and since more will be expected of its participation in East Asia in the future.

JAPAN'S COMMITMENT TO EAST ASIA COMMUNITY

In the early 1990s, following the bursting of its bubble economy, Japan entered a decade-long period of recession and deflation—a period that was prolonged by inadequate government policies, especially in the financial and banking sector. In the last few years, the economy has started to grow again, albeit slowly. But while Japan may have finally emerged from the recession, it still faces several

constraints in its economy: the problems of demography and an aging society, inadequate productivity levels, low levels of foreign direct investment (FDI), rising poverty, and worsening income inequality. These are real issues that need to be tackled. It appears, however, that Japanese leaders have been paying a great deal of attention to foreign policy and security, as well as to social issues such as education, but have not focused enough on the economy – especially in terms of continuing Prime Minister Koizumi's economic reforms.

In the end, Japan's leaders may be forced to take action to address the country's lacklustre growth and aging population (much like Koizumi did with the nonperforming loans) because these are issues that will place heavy financial pressures on the voters. Moreover, Japan's economic needs could intersect with the ambitious security goals of some of the country's recent leaders: Japan needs to be economically stronger if it is going to be able to play a more important role in East Asia.

Japan has felt compelled to do more to address political security issues because it understands the new strategic developments in the region. China's rise in East Asia is central, but there have been many other developments as well. East Asia has generally recovered from the economic crisis of 1997 and is becoming the most important economic region of the world. Meanwhile, the regional role of Japan's key ally, the United States, has shifted. America's attention has been diverted to the Middle East, and America's "soft power" in East Asia has declined somewhat because of its one-sided strategy toward the new threat of global terrorism. At the same time, the development of the North Korean nuclear weapons program and the increase in Chinese defence expenditures – the transparency of which is doubted – have placed Japan in a bind.

Japan has astutely decided to make use of the new global threat of terrorism to become a "normal" country with adequate defence capabilities and to implement its role within the context of its alliance with the United States. Japan has taken steps to strengthen its alliance with the United States but at the same time is trying to develop its own policies. This is especially true in terms of its stance on East

Asia. Japan has been supporting the establishment of new regional institutions, with the long-term objective of creating an East Asia community. This objective is at the heart of Japan's Asia policy.

Japan is committed to the idea of regional cooperation and community building because it views it as a way to overcome the challenges posed by China. In the meantime, despite the challenges it faces, Japan is still the region's largest economy in terms of gross domestic product (GDP) and is very important to the region in terms of trade, investment, finance, and technology. As long as it gets its policies right, it will remain one of the most important members of the region.

Japan also began hedging its dealing with China by signing the Australia-Japan Joint Declaration on Security Cooperation in March 2007. This new security relationship should be balanced with Japan's commitment to East Asia community and should be transparent – particularly since Japan has been asking for transparency in terms of China's increased defence budget. Otherwise, Japan's intentions might be misunderstood, and the idea of an East Asia community might be jeopardised. Similarly, if not well explained, moves to promote the idea of an alliance of democracies in East Asia, consisting of the United States, Japan, Australia, and India, might also be misunderstood by China.

REGIONAL COMMUNITY BUILDING

Challenges abound to the realisation of the idea of an East Asia community. First, it should not be measured against the EU, whose rules are based and driven by strong institutions. As countries in the East Asian region are so diverse, the East Asia community needs to get its members to trust each other through strengthened relations and cooperation. This will take time and can only be achieved through a gradual, long-term approach.

The first phase of cooperation should be in the economic field, because market forces have made the integration of the economies in the region a reality. Trade among East Asian economies now represents 55% of the region's total trade, which is almost equal

to intra-EU trade (65%) and already higher than intra-NAFTA trade (45%). Also, inflows of investment into the region have been huge—not only into China, but also returning to ASEAN. In 2006, FDI into ASEAN amounted to US\$52.3 billion, while China's FDI inflows (not including the financial sector) were US\$63 billion.

However, the next phase of integration needs proactive government involvement, because politics inevitably start to affect economic cooperation and could derail the entire process. This is precisely what happened in Europe from the mid-19th century to the mid-19th century, culminating in World War I and World War II, because Europe did not get the politics right, especially in dealing with a rising Germany. That resulted in stagnant trade and economic relations, and Europe experienced constant conflict for almost one century prior to the establishment of the EU. It was the new regional order and institutions that helped to stabilise Europe during the Cold War, in addition to the presence of the United States through NATO.

Some progress has already been made in East Asia in terms of concrete cooperative measures through the Chiang Mai Initiative to help prevent a recurrence of the type of financial crisis that struck in 1997-1998. Similarly, there have been attempts to solidify economic cooperation through free trade agreements (FTAs) between ASEAN and China, ASEAN and Japan, and ASEAN and South Korea, which hopefully will lead to an FTA that covers all of East Asia. However, there are many obstacles to realising the goal of deeper regional cooperation.

One obstacle is the China-Japan relationship, which has been hampered by history, nationalism, competition for leadership in the region, and competing claims in the East China Sea. Prime Minister Abe's visit to China in October 2006 marked a new beginning, and hopefully relations will continue to improve. Economic relations between the two are doing well, and people-to-people relations continue to intensify, especially among the younger people. Prime Minister Abe undertook a new initiative to increase youth exchange. And a bi-national committee of historians was established in late

2006, tasked with studying recent history and presenting its research findings within two years. In addition, the two countries agreed to hold exchanges of leaders on a more regular basis. This began with Foreign Minister Li Zhaoxing's Tokyo visit in February 2007 and Prime Minister Wen Jiabao's visit in April 2007, while plans have been made for deepened military cooperation through visits and dialogues.

Another obstacle is the US relationship with the East Asia community. The United States has always played an important role in East Asia in terms of economics, politics, and security. Therefore, a modality must be found to involve it in the East Asia community. At the same time, there is also the recognition that East Asia, which has been so integrated economically and to a certain extent also politically, needs to have a kind of a Group of Eight (G-8) or a concert of powers that can discuss and make decisions on the strategic issues of the region with the aim of maintaining peace, stability, and development in the region. For this reason the United States should be invited to the East Asia Summit, and in so doing, the East Asia Summit will be upgraded into a concert of powers for East Asia, a kind of a G-8 for East Asia.

It should become the forum for strategic issues: economic, political, and security matters. How ASEAN should be represented in this forum should be decided by ASEAN itself, with the consent of other members. It could be represented by the newly accepted idea of having an ASEAN "troika" of the past, present, and next chairmen of ASEAN; or it could be represented by the current chairman and secretary-general of ASEAN. The condition that members should sign the Treaty of Amity and Cooperation has been the reason for the US reluctance to become involved. However, this should not pose a real hindrance for the United States because while this is a treaty in form, its content is more political than legal.

The East Asia Summit could take place either biannually, alternating with the APEC Summit, or it could be organised annually and be held back-to-back with the APEC Summit. APEC, as the main mechanism promoting increased cooperation between the western and the eastern parts of the Pacific should

be maintained as an important regional institution to keep the idea of Pacific cooperation intact. To gain back the relevance that it has lost, however, APEC should maintain its core focus—i.e., economic cooperation—while placing greater stress on domestic structural issues, or “behind-the-border” issues, rather than only emphasising trade.

There is also the consideration of including Russia and the EU at a later stage. Russia’s economic interests and interactions, including in the energy field, are mainly with the EU. The latter, for its part, already has a structure for engaging with East Asia in the form of the Asia-Europe Meeting. With more economic interaction in the medium term, Russia’s membership could be entertained in the future. On the other hand, the EU’s preoccupation with its own region will postpone its membership in the East Asia Summit for the time being.

ASEAN+3 should be the main institution for economic and functional cooperation in the region. In the implementation of its work program, it should be pragmatic and open to involving others that are relevant to the program on a case-by-case basis. For instance, all members of the East Asia Summit could be included in responses to pandemic diseases, and Australia could be invited to participate in discussions of monetary and financial affairs.

In the security field, the ASEAN Regional Forum (ARF) could be the vehicle for the implementation of confidence-building measures and initiatives on human security or non-traditional security matters, including pandemic diseases and global terrorism. Meanwhile, the Six-Party Talks, if successful in addressing the nuclear proliferation of North Korea, could be transformed into a mechanism to more broadly promote security cooperation or, traditional “hard” security matters for East Asia. For that to happen, it also should have ASEAN’s participation.

Another constraint, however, is ASEAN’s position in the “driver’s seat” of regional community building in East Asia. Many questions have been raised as to whether ASEAN could really lead the East Asian regional institutions, such as ASEAN+3 and the East Asia

Summit, despite representing only 10 percent of the entire East Asian economy. However, ASEAN has been put in the driver's seat because the two natural leaders, China and Japan, cannot assume that role at this juncture. It is clear that ASEAN still needs to strengthen its capacity to be able to actually drive the community-building process. In order to give greater weight to ASEAN so it can more effectively play this role, ASEAN's capabilities should be upgraded and South Korea might support ASEAN in carrying out the duties of the "driver." Also, ASEAN must implement the various measures toward realising the ASEAN Community that were outlined in 2003 in the Bali Concord II.

At this stage, the leadership role of ASEAN consists mainly of organising the meetings and chairing them, but in practice ASEAN has allowed the "Plus Three" countries (China, Japan, and South Korea) to come up with initiatives and proposals to be discussed, decided on, and implemented. In other instances, working groups are being co-chaired by ASEAN members and the Plus Three members. For the time being, this arrangement seems to be working, and it should be continued for the near future.

CONCLUDING REMARKS

A lot of movements and changes are happening in the last few years, especially with the outbreak of financial crisis in the last few weeks. New challenges have to be faced by East Asians. And the closer we can cooperate, the better we will be able to respond to those new and complicated challenges.

We have to decide together on how to improve the regional institution building as soon as possible, because there have been some hesitation lately to move the process forward. With these latest challenges, we cannot let this stagnant development in regional institution building continue. Too much is at stake for the future of the region.

US ENGAGEMENT IN SOUTHEAST ASIA

Scot A. Marciel

DEVELOPMENT OF US REGIONAL TIES

East Asia, including Southeast Asia, is undergoing a remarkable transformation. Led by rapidly growing economies, the regional institutional architecture is growing. Long-standing organisations, such as ASEAN (Association of Southeast Asian Nations), are taking on expanded roles. Newer organisations, including the ASEAN+3 and the East Asia Summit (EAS), are being built on overlapping parts of this regional landscape, and have emerged in response to a growing desire in the region for an East Asian community. At the same time, there is very broad recognition of the historical and continuing contributions the US makes for East Asian stability, prosperity and cooperative problem solving.

As stated by Singapore Minister of Foreign Affairs, George Yeo, at the time of the ASEAN-related Summits last November, "In short, no major strategic issue in Asia can be resolved without the active participation of the US. The US has also played a key role in responding to transboundary challenges. For all major challenges—be it climate change, environmental protection, pandemics, terrorism, disaster response or energy security—we in ASEAN welcome close cooperation with the US. We will always remember the help which

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the US gave Indonesia after the Boxing Day tsunami (also known as Asian tsunami, occurring on 26 December 2004 — editor) and its willingness to help Myanmar after Cyclone Nargis (which struck on 2 May 2008 — editor)."

Also, the report of the ASEAN Foreign Ministers meeting said: "Looking ahead, the ASEAN-US relationship will remain a key pillar in the evolving political and security architecture of the region. The US has abiding strategic interests in the ASEAN region which connects the Pacific Ocean to the Indian Ocean and the Persian Gulf. The importance of the Straits of Malacca and Singapore, through which 15 million barrels of oil are transported every day, cannot be overstated."

So, ASEAN is clearly interested in a continued US commitment to the region. Its members want strong trade and commercial ties, more technology, more educational opportunities, more dialogue. Recently, they have focused on how the United States and ASEAN can cooperate on energy security, food security, the environment, and of course, economic development. Sure our numbers in the polls sometimes slip, and some in the region are occasionally critical of our policies and approaches. But overwhelmingly, they want increased and skilful engagement, rather than to grow apart from the US.

Of course, the US wants closer ties too. The ASEAN region is also of crucial importance to the United States. On the economic side this interest is clear. By 2015, ASEAN plans to be a single market of 550 million people. Collectively it is the US' fifth largest export market with rapidly growing economies. ASEAN economic integration is strongly supported by the American private sector, which has already invested USD100 billion there.

The ASEAN region is also of growing political importance. It includes two treaty allies, other valuable security partners, the world's third largest democracy and the world's most populous Muslim majority nation. It sits astride the strategically important Malacca straits. It is the next-door neighbour of the rapidly growing powers and economies of China and India.

Within Southeast Asia, ASEAN has long played an important—and under appreciated—role in maintaining peace and security. More recently, ASEAN diplomacy was key to convincing Burmese authorities to open the door to critically-needed international assistance following Cyclone Nargis. Beyond Southeast Asia, ASEAN is playing a growing global role. Two ASEAN members currently sit on the UN Security Council, a number of ASEAN countries are contributing troops to peacekeeping operations around the world, and ASEAN members are an important voice on everything from WTO negotiations to non-proliferation efforts.

TWO OVERRIDING INTERESTS OF THE US IN THE REGION

First, that the nations of Southeast Asia remain strong and independent, that they enjoy peace, stability, growing prosperity and greater freedom, and that they succeed in their efforts to integrate. If the countries of Southeast Asia are doing well—making progress along these lines—then we are in great shape. So much of our work—and certainly most of our assistance—is focused on helping these countries—and ASEAN as a whole—achieve success, broadly defined.

Second, that the ASEAN region works with us to address bilateral, regional and global issues, ranging from promoting commerce to addressing climate change to combating the proliferation of weapons of mass destruction. The US wants the ASEAN region to be a good partner. That, of course, requires that US be good partners to ASEAN and its member nations, so that they see it in their interest to work with her. To meet such mutual interests, the US has been doing more, heavily engaged on many levels both bilaterally and, increasingly, regionally.

When discussing US cooperation and its role in Southeast Asia, there is always the question of how China affects US interests in the region. China has been much more active politically and diplomatically in recent years. That is a natural result related to China's very rapid economic growth. But the United States does not see this as a zero-sum game. Rather, China is going to have its relations with Southeast Asia,

and the US will have its. The US wants to work with China where it can as a means to advance all of its interests. This is consistent with ASEAN's goals that include good relations with China, the US and other countries that are increasing their engagement in the Southeast Asia region. So rather than worry about what China is doing, we need to stay focused on making sure that the US is fully and effectively engaged.

US ENGAGEMENT IN THE REGION

One pillar of US engagement remains its treaty alliances with long-time friends—the Philippines and Thailand. The Philippines has improved its economic performance and made substantial progress fighting terrorists who threaten it. The US has supported this counter-terror work, but first and foremost, this is a Philippine effort. President Arroyo visited Washington this summer—a good visit that reaffirmed the US-Philippines relationship.

The Philippines faces big challenges in bringing peace and stability to Mindanao. Recent developments have highlighted both the difficulty and importance of achieving a lasting peace in Mindanao. The United States is not serving as intermediaries or getting into details—that is for the Philippines to do—but we are doing what we can to encourage both sides to reach an agreement that can make a big difference for the future of the country.

Thailand is a very good ally and partner, most recently in helping to stage Cyclone Nargis relief flights. And, the President had a good visit to Thailand in August. Thailand has returned to democracy, with all of its apparent turbulence. It is a difficult time, but it is something the US is confident the Thai people will work through. The US supports Thailand and the Thai people, and of course the democratic process, but it should not get involved in their domestic politics. Similarly, Thailand is facing difficulty with violent conflicts in the South. Again, the United States very much wants to see this resolved, peace restored, and the country move ahead, but this is a domestic Thai issue.

The United States is continuing long and good bilateral relationships with other key partners: Singapore, Malaysia and Brunei. Recently Malaysian politics have been very "dynamic." The US has been following those developments with interest, but of course it stays neutral and is confident its relations with Malaysia will remain strong however the politics play out.

Building stronger ties with Indonesia, an important nation that has undergone one of the most broadly-based transformations in the world. The US has worked to support this transformation, through assistance and support for education, and will continue to do so. Indonesia is an increasingly influential player on the regional and global scene.

The US is also moving ahead smartly with Vietnam, Laos, and Cambodia. We have seen dramatic progress in Vietnam since 1990. Prime Minister Dung was just here in Washington—the fourth high-level visit in the past four years between US and Vietnam. All three countries have their problems—human rights, rule of law, and more recently sharper economic challenges, but all are moving in a positive direction. The United States wants to encourage and support this progress, while building closer ties.

Much of the work done by the US in all these relationships is what one might call "traditional"—traditional diplomacy, dialogues to go over bilateral and regional issues, building cooperation between militaries and security forces, strengthening cultural ties, reducing barriers to trade, tackling economic issues, battling threats to security.

THE US SECURITY ROLE

The United States has resumed military to military ties with Indonesia—which it is building steadily. At the same time, the US also is developing military to military ties with Vietnam, Laos, and Cambodia, with ship visits, and beginning some training. We will establish defence attaché offices between Laos and the US this year, and will hold our first political-security dialogue with Vietnam next month.

The US military is working exceptionally well to support the Armed Forces of the Philippines' activities against Abu Sayyaf and JI. Significant progress has been made in this struggle. The US is also working closely with the region's police forces. Our biggest success is Indonesia, where our assistance has supported reforms and tremendous success against terrorists, and continues to support regional efforts to safeguard the Malacca Straits, and to improve maritime security across the board.

The United States is also engaged in multilateral security initiatives in the region. The ASEAN Regional Forum (ARF) is reaching a turning point in its fifteen-year existence. Recently, we have been working with ASEAN and others to reinforce the ARF as a more credible and action-oriented security institution. The United States believes it is time to move beyond confidence-building measures—although these remain important—toward preventative diplomacy activities.

ARF can be seen as an important mechanism for working together with a wide variety of Asian countries, especially on the transnational security issues that increasingly threaten this region. A May 2009 disaster relief exercise with ARF countries, hosted by the Philippines with the United States, is both an important activity and a showcase for ARF's developing relevance to regional security. Under the continued leadership of ASEAN, we hope ARF ministers in Bangkok next summer will issue a bold and clear vision statement renewing the mandate for ARF. This could only be positive for ARF, for ASEAN, for the United States, and for other regional powers.

ASEAN has proposed developing an ASEAN Defence Ministers Meeting "Plus" mechanism. This may have potential but, frankly, the US has not heard enough specifics at this point to make a judgment on its utility. It would be interesting to learn more from ASEAN colleagues as this concept matures, especially about how this will complement and not duplicate ARF and other regional security dialogues.

INCREASED SUPPORT OF THE US

The United States also is active in strengthening economic ties. USTR (US Trade Representative) is engaged in Free Trade Agreement

(FTA) talks with Malaysia and has established Trade and Investment Framework Agreements (TIFAs), with most ASEAN nations. Under the TIFAs, the US is pursuing economic agendas tailored to each relationship. It has been agreed that bilateral investment talks with Vietnam will soon be launched. The office of the US Trade Representative also recently has joined negotiations on investment and financial services with the P4 (Chile, New Zealand, Brunei and Singapore) countries that had previously negotiated their own FTA, without completing investment and financial services chapters. USTR is doing an exploratory study on possibly joining the whole agreement.

Increasingly, the United States is active in the region on less “traditional” issues, as she tries to help countries in Southeast Asia address challenges. Here, it seems surprising to see the figures on assistance that the United States is providing to Southeast Asia, multilaterally to ASEAN, bilaterally to ASEAN member states, as well as through regional health, environment and other initiatives. Altogether, in fiscal year 2008 the US has an assistance budget for Southeast Asia of more than one-half billion dollars—over USD554.4 million, to be precise. To illustrate the programmes and projects the United States has been supporting can be read as follows.

Health

Health is a good example. The region has been endangered by avian influenza and faces big challenges in addressing HIV/AIDS, malaria and other infectious diseases. The United States has been extraordinarily active. In 2008, the US government will spend more than USD212 million to support health-related activities in Southeast Asia;

Education

This is biggest element of our aid to Indonesia – and very successful. President Bush launched a six-year USD146 million program to improve education at the secondary level. We have just

signed an agreement with Vietnam to initiate a high-level education dialogue to help Vietnam improve its tertiary education system;

Environment

It is a huge interest and the US also has been doing a lot. Much of US cooperation is bilateral, but the United States is doing more regionally. The ASEAN Wildlife Enforcement Network—ASEAN-WEN—has been lauded both in and outside the region for its success. The United States has provided several million dollars in support of the Coral Triangle Initiative. The Heart of Borneo Initiative supports tri-nation efforts against illegal logging. The US recently reached agreement with Vietnam to study the potential impact of global warming on the Mekong Delta, and ways to mitigate that impact.

Deputy Secretary of State John Negroponte currently had announced US intention to work with Congress to provide USD1.8 million to support Cambodia's Khmer Rouge Tribunal. The support to the Tribunal will help to strengthen rule of law in Cambodia, and to bring a measure of accountability to the leaders of one of the 20th century's most brutal regimes.

Disaster Relief

Unfortunately this is a region that suffers a lot of disasters. Yet, the United States can proudly say: "we are always there to help, and we're usually there first with the most." As the ASEAN Foreign Ministers cited, the United States has helped hugely in tsunami and Cyclone Nargis where the US provided nearly 200 C-130 relief flights and over USD40 million of assistance to date. The US also is working to help prevent and respond to future disasters by providing tsunami warning buoys, training and supporting ARF exercises.

US GROWING REGIONAL ENGAGEMENT VIA ASEAN

ASEAN recently has taken important steps—the drafting of a Charter, and setting ambitious goals—an ASEAN Community 2015 with political/security, economic and socio/cultural pillars. The Charter includes a notable commitment to establish a human rights

body. We support these ambitious goals. A strong ASEAN moving toward regional integration and tackling tough problems is in US interest.

The President and ASEAN Leaders established the US-ASEAN Enhanced Partnership in 2005, and the Secretary and ASEAN Foreign Ministers signed the Plan of Action in 2006 to implement it. The United States' ADVANCE programme for assistance under the Enhanced Partnership provides the ASEAN Secretariat with about USD7 million per year in support of activities under the three pillars.

Much of US initial work under the Enhanced Partnership has focused on supporting ASEAN's economic integration efforts, in large part because ASEAN itself is moving fastest in building its economic pillar.

The United States is working to support ASEAN's own goals, and as a friend also to encourage ASEAN to continue to set—and to meet—ambitious goals. So it also is advancing other elements of the partnership. The United States has been active on the environment, and is rapidly increasing its regional cooperation on climate change, clean energy, pandemic preparedness and avian influenza. It also is beginning cooperative efforts to improve food security in the region. Another program that has been well received in the region is the recently launched ASEAN Fulbright programme.

CONCLUDING REMARKS

Finally, in a matter that obviously is a personal interest of the author, the decision to establish an Ambassador for ASEAN Affairs reflects the US ongoing political commitment to work with ASEAN—a commitment that is well recognised in the region and beyond. Several other ASEAN partners have followed the US lead in nominating Ambassadors for ASEAN.

Apart from cooperation on development issues, the US is working increasingly with ASEAN diplomatically, particularly with the new Secretary-General, Surin Pitsuwan. The US is working together, for example, on Burma.

One constant, whether talking old issues or new, bilateral or regional, has been the US work in Asia to support freedom and human rights. Issues of liberty and democracy are part of US engagement in the region. Sometimes other countries are not thrilled by this, but most understand it is part of who the United States is. This is not the US government imposing its values. People in Southeast Asia— like people everywhere — want freedom and a chance to participate in the political process.

As seen in the Philippines, Burma, and in the countries responding to it, there is growing demand for human rights and democracy in the region. The US tries to play a supporting role. One opportunity will be with the Human Rights Body that will be established under the new ASEAN Charter.

Burma is a huge challenge for US foreign policy, for ASEAN, and for the wider region. A government that has suppressed democracy, driven down its economy, education system, health care system, and become a pariah, refuses even to engage reasonably with ASEAN.

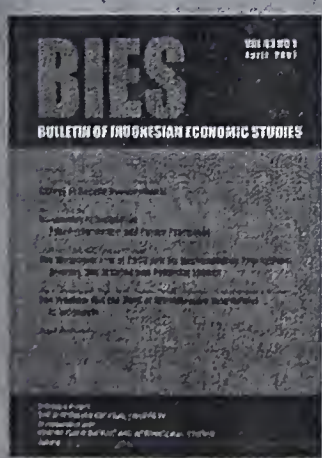
One year ago (on September 26—editor) the authorities there cracked down on peaceful demonstrators, including monks. It is in US interest for Burma to turn around, both because the United States cares about human rights and democracy, and because it is in US interest for this large, strategically located country of 55 million people, not to continue to go downhill, where the risks of instability, violence, and other problems grow.

The Burmese regime's response to Cyclone Nargis showed both its callousness and its ineffectiveness. Some hope that the limited opening that Burma is now showing will continue and perhaps could lead to something positive, and the US will do all it can to encourage that.

However, it is hard to see how Burma can turn around without some change in the political process so that more Burmese, including the opposition and ethnic groups, can participate. This will continue to be a high priority for the United States. The US will continue to work with countries in the region, including ASEAN, China, and

others, and through the UN, to encourage the regime to reach out to its own people.

The US has long been committed to Asia, and to Southeast Asia. The form of US engagement sometimes changes as new issues arise, but the strength of it does not. The United States is very committed to region. The US has seen great opportunities and planned to be a good partner for the countries of Southeast Asia for a long time to come.



The *Bulletin of Indonesian Economic Studies* (BIES) is a peer-reviewed journal published by the Indonesia Project, The Australian National University.

The journal fills a significant void by providing a well respected outlet for quality research on the Indonesian economy and related fields such as law, the environment, demography, education and health. In doing so, it has played an important role since 1965 in helping the world, and Indonesians themselves, to understand Indonesia. In addition to papers reporting economic analysis and research, each issue leads with a 'Survey of Recent Developments', which aims to be accessible to non-economists, and helps to account for the journal's diverse readership within academia, government, business and the broader public.

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AMERICA'S PLACE IN THE REGION

Sudjadnan Parnohadiningrat

INTRODUCTION

In discussing the perspective of countries in Southeast Asia regarding America's place in term of its strategic role in the region, it is necessary to first look at the objectives, primary interests and concerns of countries in the region and of the US itself. The overarching goal for Indonesia and other Southeast Asian countries is to improve the welfare and quality of life of their peoples. This goal may be pursued mainly through social economic development under a conducive security atmosphere.

The main prerequisite for economic growth and development is a peaceful and stable regional political and security environment. In this context, the United States has been and will continue to be an important partner for Southeast Asian countries. Both sides share mutual and common interests in achieving these two intertwining goals namely economic progress, and peaceful and stable environment.

CHALLENGES AND OTHER AREAS OF COOPERATION

There is no doubt that over the past several decades, Southeast Asia has been experiencing rapid economic growth, and deepening of integration and interdependence of their economies. This progress in large part has been achieved through reliance on open market and trade

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policy. The United States is the most important market for Southeast Asian countries. In terms of direct trade, with a total trade of around US\$ 170 billion in 2007, the US is the second largest trading partner of ASEAN, while ASEAN is now US's fourth largest trading partner.

In terms of foreign direct investment, many US companies are operating in the gas, oil and mining industry which are in relative abundance through out the region. The US economy also plays an important role in fostering intra-Asia trade. A significant part of this intra-Asia trade consists of natural resources and intermediate goods, which in turn rely on the demand for final goods from established markets, such as the US. The United States therefore will continue to be the most important partner for Southeast Asian countries in pursuing mutually beneficial prosperity.

Political stability and security in Southeast Asia are the bedrock for the economic growth and people's well being of countries in the region. Ever since the end of World War II, the United States has been a pillar of stability in the Asia Pacific. With the growing prosperity and affluence, new powerhouses have emerged among countries in Asia. Japan has been and will continue to be the second largest economy in the world for the foreseeable future. China is already on its way to become a major global economic and military power and India has also emerged as a growing economic powerhouse.

The dynamism of their relations in the region and beyond should be diligently managed. The United States and countries in the region need to creatively seek new areas of cooperation and enhance the existing ones and conduct dialogs aimed at building and strengthening mutual trusts among the countries concerned. These are a number of prerequisite steps to ensure that the regional realignment process will only contribute to the continuing prosperity, peace and stability in the Asia Pacific region.

In the past three decades the majority of countries in Asia, particularly in Southeast Asia, have been able to live in peace with one another. However, the existing peace could not be taken for granted. Almost all of the countries in Asia share their borders with more than one neighbour. Many of these borders are still in dispute.

Unresolved borders disputes exist for instance between India and China, between China-Japan-Korea and between countries in Southeast Asia. Other potential hotspots in the region include the overlapping claims in the South China Sea, situation in the Korean Peninsula and the cross-strait problems between China and Taiwan. In this regard, the existing security structure that has been in place since the end of the World War II, namely the bilateral arrangements between the United States and many countries in East and Southeast Asia will continue to underpin the security and stability of the region. In the context of these bilateral arrangements, US may constructively encourage any disputant to seek every possible ways to peaceful solution of disputes.

Countries in the region are facing the demand for peaceful use of nuclear energy and challenges of the proliferation of nuclear weapons. There are already four nuclear armed countries in Asia, namely China, India, Pakistan and North Korea. Three out of four of these countries are not party to or has withdrawn from the Nuclear Non Proliferation Treaty. On their part, ASEAN countries has declared and established its region as a nuclear weapon free zone by the signing of the Southeast Asia Nuclear Weapon Free Zone (SEANWFZ) Treaty in 1995. In the coming years, demand for nuclear energy will increase commensurate with increasing demand for energy by Asian countries.

Legitimate need to develop and acquire nuclear technology for peaceful purposes by many Asian countries will rise in the foreseeable future. In this context, the United States and Southeast Asian countries have common interests in managing the non-proliferation issue and concurrently in developing regional capability for the peaceful use of nuclear energy. In this regard, the NPT regime provides solid legal platform for Southeast Asian countries and the United States to continue their collaboration.

Countries in Southeast Asia are also facing various non-traditional security challenges such as terrorism, piracy, drugs and people smuggling and other trans-border issues. One of the most pressing challenges that some countries in the region have to face is the continuing threats of radicalism, extremism and terrorism that

seek to destroy the political and socio-economic foundation upon which progress and prosperity have been built. Dealing with these challenges requires enhanced national capability and cooperation at regional and international level.

Building national and regional capabilities is a priority for countries in the region, and the United States continues to have important role to assist countries in the region to develop such capabilities. Indonesia has benefited greatly from such cooperation, which has been very crucial in our success in uprooting and crushing the terrorist networks in Indonesia. At the same time, the soft power approach that has been conducted by the Indonesian Government to address the challenges of radicalization and extremism can become a valuable lesson learned for the US.

As their political, security and economic interests become increasingly integrated and interdependent, Southeast Asian countries have been developing a regional architecture that rest on the operation of the Association of Southeast Asian Nations (ASEAN). ASEAN has been critically important for the efforts to promote settlement of disputes among countries in the region, promotion of cooperation and managing the increasingly interdependent interests. The community building process is still underway and there are many areas where the expertise and resources of the United States could significantly assist ASEAN to achieve its goal of establishing the ASEAN Community by year 2020.

CONCLUSION

The United States has been and will continue to have an important role to play in Southeast Asia. Such roles among others are: (1) To promote mutually beneficial economic progress and prosperity among the Southeast Asian countries and with the United States; (2) To contribute in managing various security issues in the wider Asia and Asia Pacific regions that have direct implication for the security in Southeast Asia; (3) To develop national and regional capabilities of Southeast Asian countries to deal with the non-traditional security challenges; and (4) To promote cooperation in assisting the regional integration and community building process in Southeast Asia.

TOWARDS A REGIONAL INSTITUTIONAL ARCHITECTURE FOR THE ASIA PACIFIC

Hadi Soesastro

INTRODUCTION

In his address to the Asia Society AustralAsia Centre on 4 June 2008, "It's Time to Build an Asia Pacific Community," Prime Minister Kevin Rudd of Australia proposed a regional architecture for the wider Asia Pacific region. He argued that there is a need for strong and effective regional institutions to "underpin an open, peaceful, stable, prosperous and sustainable region." He stressed the importance of regional institutions in addressing collective challenges that no country can address alone.

Rudd's vision for an Asia Pacific Community embraces "a regional institution which spans the entire Asia Pacific region – including the United States, Japan, China, India, Indonesia and the other states of the region" and "a regional institution which is able to engage in the full spectrum of dialogue, cooperation and action on economic and political matters and future challenges related to security."

Critics in Australia, not only from the Opposition but also former Prime Ministers Hawke and Keating, have been quick in pointing out that Rudd's vision has not been well thought out. But such criticisms may be misplaced. Kevin Rudd's initiative should be seen as an invitation to other leaders, policy makers, and thinkers in the region to join him in a serious discussion about how best the Asia Pacific

region could be organised. If Rudd had come up with a fully baked proposal, the exercise could be self-defeating.

The evolving regionalism in Asia Pacific requires that all parties concerned should have an active part in the process, especially in the shaping of a new vision for the region. Rudd's proposal is also not the first one. Since 2006 the Pacific Economic Cooperation Council (PECC) has embarked on a study on the Regional Institutional Architecture (RIA) for the Asia Pacific and has begun discussing this in a number of regional forums. It is significant that Rudd's initiative will help elevate the discussion to the highest level of policy making in the region.

Let us examine the main ideas in Rudd's proposal. His first premise is that global economic and strategic weight is shifting to Asia. With this, the changes and challenges for Asia will also be great. The challenges as he described them include, among others: enhancing a sense of security community; developing a capacity to deal with terrorism, natural disasters and disease; enhancing non-discriminatory and open trading regimes across the region in support of global institutions; and providing long-term energy, resource and food security. The second premise is that none of the existing regional mechanisms (APEC, the ASEAN Regional Forum, the ASEAN Plus Three, and the East Asia Summit) "as currently configured are capable of achieving these purposes." Hence, there is a need for new regional architecture.

Rudd believes that the existing regional mechanisms may continue in their own right or embody the building blocks of an Asia Pacific Community. However, he has identified two additional building blocks. First is the Six Party Talks, which could be transformed into a wider regional body to discuss confidence and security building measures in North East Asia and beyond. Second is the development of a Free Trade Area of the Asia Pacific (FTAAP). Here is where Rudd could stumble. The Six Party Talks are tailor-made for resolving the problem on the Korean Peninsula, and as the name indicates they only involve six countries. Expanding the members would duplicate the existing multilateral ASEAN Regional Forum (ARF). What could be

done is to strengthen this multilateral forum and to turn it into a full-fledged regional forum that is no longer ASEAN driven. The FTAAP could be the kiss of death for the Asia Pacific Community albeit having strong proponents in certain quarters. This discriminatory arrangement is a totally misguided proposal as it goes against the grain of regionalism in Asia Pacific, which Rudd himself proclaimed "must be an open region."

It is hard to imagine that all these potential building blocks could become elements of a new single "regional institution" for the Asia Pacific. An EU-type process may be attractive, but cannot be created in the Asia Pacific. Instead, we may continue to have an Asia Pacific regional architecture that consists of several institutions. What needs to be attempted is to reform and restructure the existing mechanisms so that they become key elements of a more coherent and consolidated regional process. It needs a high-level understanding, readiness and decision to be able to reform and restructure those mechanisms.

Indonesia should support Rudd's initiative and the process of deliberations that will follow from it. The new architecture could be built on two main pillars. The one pillar is that of a revitalised APEC with a strong ASEAN Plus Three (APT) as its core in East Asia. This forms the economic pillar of the regional architecture. The immediate question is how to involve India in this process. The other, political security, pillar is that of a transformed East Asia Summit (EAS) that is supported by the ASEAN Regional Forum (ARF) at the working level. As a member of ASEAN, Indonesia should be prepared to take the lead in reforming and restructuring the ARF that indeed has become a "tired process." The EAS is already proclaimed as a leaders-led forum to discuss strategic issues. Indonesia needs to make sure that the EAS functions as such. The immediate question is how to involve the United States and also Russia in this process.

To be sure, the shaping of the new architecture for the Asia Pacific region is not simply by adding India to the APEC process and by adding the United States to the EAS process. It will take much more than that, and should begin with the restructuring of the existing processes. Something rather radical may be called for. APEC has

begun with this but undertaken it only half-heartedly. It is worth to save APEC as it has the main ingredients as a strong pillar of the regional architecture. The EAS continues to be groping with how best it could serve the region, and as it is still in its formative stage it can easily be redirected. The region already has some of the ingredients for creating a meaningful regional architecture, but it needs progressive thinking and purposeful actions to capitalise on them.

THE NOTION OF AN ASIA PACIFIC REGION

The Asia Pacific as a geographic concept has its roots in ideas in the 1960s about organising a "Pacific" countervailing force in response to the further consolidation of the European Common Market. The proposal was to form a Pacific Free Trade Area (PAFTA) amongst the five developed Pacific countries (Japan, Australia, New Zealand, Canada and the United States).

Other ideas were subsequently developed, the most important one being OPTAD (Organisation for Pacific Trade and Development), a kind of OECD for the Pacific since a free trade area was not something that the five countries could agree on. OPTAD was also broadened to include the newly developing Asian economies.

In 1980 the leaders of Japan and Australia sponsored the convening of a Pacific Community Seminar to explore ideas and modalities for promoting economic cooperation among countries in the Western Pacific and North America. This led to the establishment of a non-governmental tripartite organisation, the Pacific Economic Cooperation Conference (PECC) that later becomes the Pacific Economic Cooperation Council. PECC paved the way for the creation of the inter-governmental Asia Pacific Economic Cooperation (APEC) process in 1989.

APEC signifies the emergence of the Asia Pacific and heralds the dawning of the Pacific Century. APEC sets out to promote regional community building. This can be seen as a post-Cold War approach to create a regional order in the Asia Pacific. This regional order goes beyond the traditional concept of a balance of power. During the Cold War, a regional order was imposed upon Asia, and that regional

order was largely influenced by the East-West divide. This region now wants to craft a regional multilateral order that promotes peace and prosperity through mutual trust and respect and in the spirit of cooperation. The new regional order, including the regional economic order, will be built on voluntary decisions and not as an imposition by any one power.

Although the United States is not an Asian power, its pivotal role in the region's security earns her a legitimate place in Asia. In addition, her economic involvement in the region is huge. The term "Asia Pacific" can be regarded as a means to capture this geopolitical and geo-economic reality, and is used to justify the incorporation of the United States into this process.

However, the concept of "regional community building" is not readily understood and accepted in the United States as it is in East Asia. This creates some inherent tension within APEC and in the Asia Pacific region. Given the different views and acceptance of the concept of community building among its members, APEC will continue to have to struggle with the implementation of the concept. Some have suggested that APEC should abandon this concept all together. However, this will take away the main attraction of APEC to East Asia. APEC's main challenge is to show that the "soft" approach of regional community building can produce concrete results.

APEC has been designed as just one of the two pillars of a regional order for the Asia Pacific, the other being the ASEAN Regional Forum (ARF) that promotes a multilateral approach to regional security. The ARF is not meant to replace the web on existing bilateral alliances but introduces a multilateral layer as an additional security blanket for the region. The United States takes part in the ARF although its emphasis remains on its bilateral security alliances.

WHAT IS AT ISSUE?

Until the latter half of the 1990s, APEC and the ARF were seen as becoming the main elements of an emerging institutional architecture for the Asia Pacific. They now are no longer seen as adequate. New regional institutions or processes have since been created, such as the

ASEAN Plus Three (APT) and the East Asia Summit (EAS). Besides promoting regional community building, they also present competing architectures.

There are at least four reasons why the effectiveness and relevance of existing Asia Pacific institutions are being questioned. First, especially since the APEC mid-term review in 2005, there has been a rapid decline of confidence that the APEC Bogor Goals to create "a free and open trade and investment in the region by 2010 for developed economies and 2020 for developing economies" can be realised. APEC is no longer seen as a credible forum to pursue non-discriminatory trade liberalisation in the region. Instead, APEC members increasingly turn to discriminatory (preferential) trading arrangements.

Second, and closely related to the above, is the view that APEC cannot deliver because of its non-binding nature. That is why several members of the APEC Business Advisory Council have become major advocates of the proposal to form a Free Trade Area of the Asia Pacific (FTAAP). However, APEC leaders recognise that the FTAAP is a long-term prospect.

Third, East Asian members were disillusioned with APEC for its apparent inability to swiftly come to the rescue of the crisis-hit economies in 1997. This has led to the creation of an East Asian-only process, the ASEAN Plus Three (APT), initially with the aim to developing regional self-help mechanisms to deal with financial crises.

Fourth, the ASEAN-driven ARF appears to be unable to move from confidence building to preventive diplomacy measures, let alone to developing conflict resolution principles and mechanisms.

Three contentious issues have arisen from these developments. First is in regard to the agenda of the Asia Pacific processes. Some suggest that APEC's agenda is too broad and diffused. Others have taken the contrary view and thought that too much emphasis has been given to the trade liberalisation agenda. Still others feel that APEC's agenda cannot be confined to economic issues and that APEC should give equal attention to political and a wide range of non-traditional

security issues. Whatever be the case, the broader the agenda for the organisation the stronger the institution will have to be. APEC only has a weak (international) secretariat and has not developed other regional mechanisms. Each APEC Summit will come up with new initiatives but usually without an agreement to institute the necessary mechanisms. The burden of implementation has also fallen on the SOM (Senior Officials Meeting) that is essentially a policy process.

Second is the more serious question of whether the "Asian way" or the "soft" approach to community building should be replaced by a set of binding agreements. The "Asian way", as sceptics would argue, cannot effectively translate political commitments into concrete and predictable actions. Even ASEAN appears to have recognised that the creation of an ASEAN Community would require that it transform its loose organisation into a stronger rules-based process. Therefore, an ASEAN Charter could be in place on its 40th anniversary.

Third and perhaps the most contentious issue is whether East Asian countries should turn to East Asian-only processes rather than to the Asia Pacific-wide APEC process. Within a relative short time since the end of 1997, the APT process has taken off. It has an annual Summit and has made progress in financial cooperation (the Chiang Mai Initiative and the Asian Bond Market Initiative) and few other functional cooperation areas. It has also indirectly led to the development of ASEAN+1 trade and economic agreements (with China, Japan and Korea). The feasibility of an East Asia Free Trade Area (EAFTA) has been explored, but the ministers have decided to defer any negotiation of an EAFTA until after the three ASEAN+1 agreements are completed. This suggests that even in East Asia there is great hesitation to move towards region wide institutional integration.

WHICH EAST ASIA?

Instead of going for deeper economic integration in East Asia, APT leaders moved towards broadening of the East Asian process to cover a larger geographic area. The East Asia Summit (EAS), launched in December 2005, now includes the 13 APT members plus

Australia, India, and New Zealand (East Asia 16). This might have been a premature decision and thus, the EAS will be developed in parallel with the strengthening of the APT and will not replace it. The two parallel processes in East Asia have created great confusion in the region and have complicated the regional institutional landscape.

It is questionable whether the two parallel processes can be developed effectively given the limited capacity and resources on the part of many regional countries. What could be the rationale for promoting the one process in favour of the other?

From an economic perspective, it can be shown that *market-driven integration* has progressed at about the same speed within the different groupings in East Asia: ASEAN, ASEAN plus Three as well as East Asia 16. All three groupings also share a common feature in that intra-regional import trade shares are higher than intraregional export trade shares, indicating the continued outward orientation of regional integration in East Asia.¹ In terms of market-driven integration, therefore, there does not appear to be any qualitative difference between the three, particularly APT and EAS. .

An examination of whether *functional integration* schemes would be better pursued in APT or EAS would not likely produce conclusive results. It is possible that the smaller APT will be a more effective grouping, but in certain areas, such as financial and energy cooperation, the inclusion of other countries (e.g. Australia) could be beneficial.

If integration is pursued through the formation of free trade areas, the larger the grouping the greater will be the gains to its members but this will come at the expense of non-members. The formation of a region-wide trading arrangement will serve the region better than the web of bilateral preferential trading arrangements if only to institute greater discipline. However, it remains a fact that preferential trading arrangements could obstruct the dynamic development of regional

1 Soesastro, Hadi. 2006. "Regional Integration in East Asia: Achievements and Future Prospects." *Asian Economic Policy Review* 1, Issue 2 (December): 215-238.

and international production networks involving the East Asian economies.

The nature of the *institutional integration* will be the most important political decision for East Asia to make. They have been extremely cautious in institutionalising the processes of regional cooperation. Both the APT and EAS are said to be driven by ASEAN, being the "least objectionable" party to lead the group. The "Asian way" continues to be the mode of operation. East Asia today is still more about regionalisation than about regionalism.

The politics of China-Japan relations will determine how both the APT and the EAS will unfold. While this uncertainty exists, it appears that for some time to come deepening of integration will be a major challenge for both APT and EAS, but more so for EAS than APT.

The inclusion of Australia, India and New Zealand in the EAS has been construed as a means to counterbalance China's possible domination of the process. There is an element of "engaging" and at the same time "containing" China in the EAS. Some would see this "hedging" strategy on the part of regional countries as something inevitable. The issue is how this can be managed without creating destructive tensions.

THE CHINA FACTOR

A key issue for the region (perhaps well beyond the region) is how to cope with the rapid development (rise) of China. Reputable scholars and institutions have projected the growing economic might of China. One projection shows that by 2030, China would become the largest economy in the world in terms of GDP (1990 international \$), amounting to about US\$21 trillion compared to the US at US\$16.2 trillion, Western Europe at US\$12.2 trillion, India at US\$8.8 trillion, and Japan at US\$3.2 trillion.² In terms of per capita GDP, the US will still be about 3 times larger and Western Europe and Japan about

2 Maddison, Angus. 2006. "Asia in the World Economy 1500-2030AD – Heinz W. Arndt Memorial Lecture." *Asian-Pacific Economic Literature* 20, no. 2 (November): 1-37.

2 times larger than China, respectively. Another projection by the Japan Center for Economic Research³ suggests that by 2050 in terms of PPP dollars the GDP of China will be \$33.4 trillion, only slightly below that of the US at US\$34 trillion. The GDP of EU will be US\$19.9 trillion, India US\$19.1 trillion, ASEAN US\$9.2 trillion and Japan US\$5 trillion.

In any case, China will become an enormous force to be reckoned with. In a way, today it already has become one if only because of the power of those projections. China needs to recognise this fact and to understand why others might feel compelled to adopt a hedging strategy.

Regional arrangements are the best hedging device, also for China, as they provide for dialogues, cooperation, and mutual adjustment. They can help facilitate and accommodate China's rise. The region is fortunate because this effort has begun early enough. The impact of China's rise could be dramatic, as the above projections show, and this impact will also be felt beyond the immediate region. The sole superpower of today, the US, will have to make major adjustments. To a lesser extent, but equally important, will be the adjustments by Europe, Russia, Japan and others. But it is China that will carry the main burden of steering its development to sustaining its progress while maintaining regional and global stability. Some call this "peaceful rise." This will best be achieved in cooperation with other countries, particularly in the region.

It can be argued that the more such cooperation arrangements China is involved with the better it will be for all. It is legitimate for China to seek to play a greater regional and international role through its involvement in these arrangements. It has been the initiator of the Shanghai Cooperation Organisation (SCO) and was the first to move to form a free trade agreement with ASEAN, the first for China and the first for ASEAN. China too might have its own hedging strategy

3 Japan Center for Economic Research. 2007. *Demographic Change and the Asia Economy – Long-term Forecast of Global Economy and Population 2006-2050*, Executive Summary, March.

to secure sufficient space to manoeuvre. It does seem to want to keep all options open. Thus far, its commitment to ASEAN Plus Three appears to be the strongest.

It should be in the interest of the region to involve the US in one way or the other in East Asia. It is the superpower. It has a major role in the region as anchored in several bilateral security alliances. It will continue to be a major economic partner for an outward-oriented East Asia, and most importantly, it can become a big spoiler if it feels being left out.

INVOLVEMENT OF THE UNITED STATES

The notion of community building in the "Asia Pacific" has been developed with the United States as an integral part of it. The Asia Pacific region has some built-in tensions, but this is not necessarily bad if appropriately managed.

The trans-Pacific dimension is one of the most important features of APEC. East Asians see that as a means to reach out to and to engage primarily with the United States but also to other North and Latin American countries. The US has viewed this mainly as a means to prevent a split in the Pacific. Its engagement in the Asia Pacific is thus strongly affected by a deep concern that East Asians would do things on their own. But the Asian way of doing things, as East Asians know it and cannot easily be changed, is perhaps least threatening to the US and other countries.

Unless forced by developments elsewhere, East Asia will not likely turn into a trade bloc like NAFTA within the foreseeable future. A problem with US engagement with the region lies in the tendency to view this engagement from the narrow perspective of trade expansion (securing markets) and fighting terrorism. Community building in East Asia and in the Asia Pacific is a much more comprehensive undertaking.

Community building in East Asia and in the Asia Pacific should be driven by the same logic. It is to capitalise on market integration, to be further strengthened by cooperation in various areas of functional integration and to ultimately move towards institutional integration.

In Asia Pacific the US is "in", but the process that began since 1989 is seen as moving too slow. In East Asia the US is "out", and the processes that started in 1997 seem to be moving faster. Some in the US are alarmed by this, especially by the prospect that the East Asian process will be progressively driven by China and its spectacular development.

Should the US be brought in to alleviate these fears? Some in East Asia thought that the EAS would be the best vehicle to do so. The EAS, so it has been argued, is a political concept (much in the same way the "Asia Pacific" is) and is not based on a geographic definition. Senior Minister Goh from Singapore has talked about "variable geometry and flexible borders" as a means to accommodate a US involvement in the EAS.

Bergsten argued that the US should neither become a party to the EAS nor should it oppose East Asian integration. It should develop an effective strategy towards East Asian integration.⁴ One key element of this strategy is to insist that East Asian agreements be embedded in broader Asia Pacific arrangements.

ARCHITECTURE FOR THE REGION

Apart from a vague notion of some kind of co-existence and the adoption of some common logic (of regional cooperation and community building), there is yet no clear understanding of what it would mean or entail to "embedding" East Asian regionalism in the wider Asia Pacific regionalism. To Bergsten, this means that the US should try "to tilt the Asian integration movement in directions that would be more compatible with US interests." He suggested that this would best be achieved through the creation of an FTAAP as the overarching Asia Pacific framework.

The reality is that FTAAP is politically infeasible, and will see an early death if championed by the US, which in fact is the only country

⁴ Bergsten, C. Fred. 2007. "China and Economic Integration in East Asia: Implications for the United States." *Policy Briefs in International Economics* No PB07-3, Peter G. Peterson Institute for International Economics, March.

that can provide such leadership although its track record has been poor (a failed Free Trade Area of the Americas).

Embedding should be made a strategy by the East Asians themselves. It is in East Asia's own interest to reach out to and engage effectively with the United States. APEC provides the broader regional framework that included the US. It essentially adopts the same logic of regional cooperation and community building as the ASEAN Plus Three, the prime vehicle for East Asia. Embedding APT in APEC would enable East Asia to develop and preserves its regional identity, which should be an important element in the Asia Pacific regional institutional architecture.

Embedding should mean forming an effective East Asian "caucus" in APEC. This entails pursuing a common objective (of maintaining economic openness, good governance, supporting the global regimes, etc) and adopting agendas that mutually reinforce each other. Deepening of East Asian integration will elevate the voice and role of East Asia and in turn will strengthen the broader Asia Pacific arrangement (APEC). This will also strengthen relations between East Asia and Latin America (FEALAC).

The meta-architecture for the Asia Pacific will be further strengthened by an EAS that will have a direct involvement of the United States. The EAS could become the main forum for dialogue at the highest level on strategic issues (economic, political and security). It can take up issues that cannot be fully dealt with by economic leaders in APEC (Note that the APEC Summit originates as the APEC Economic Leaders Meeting).

The EAS can be seen as a Summit in support of the ARF. This will help provide the necessary stimulus to revive and develop ARF to become the region's primary multilateral security forum that will be critical for ensuring China's peaceful rise in a peaceful region. An Asia Pacific regional security system that is solely based on bilateral alliances with the US as hub might result in new "Cold War" that will be in the interest of no one.

NEW SECURITY DIMENSIONS IN THE ASIA PACIFIC

Barry Desker

INTRODUCTION

Universities in Australia and Singapore have long regarded education as a public good funded by governments. However, if our universities are to compete in the global market for academic talent, research funding and outstanding students, we must develop a tradition of a life-long commitment to our universities reflected in the gifts and grants to the universities by our alumni. Governments will be constrained by competing demands on available funds and are likely to adopt a very pragmatic approach in supporting requests for the recruitment of faculty, the awards of scholarships and the provision of new or upgraded facilities.

Michael Hitze's endowment of a Chair in International Security, and generous supporting funding from the Vice Chancellor and Dean Peter Wolnizer, have enabled the establishment of a Centre for International Security Studies (CISS) at the University of Sydney. Michael Hintze's background of service in the Australian Army, exposure to the financial sector and hedge fund management highlights the importance of creating institutions whose graduates could synthesise different fields of knowledge and would possess a variety of capabilities and interests.

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The skills and exposure provided by CISS should assist future military officers, diplomats, journalists, civil society activists, investment bankers and hedge fund managers, for example, in having a better understanding of the changing regional and international geopolitical and economic landscape. Like Alan Dupont and his colleagues from CISS, all the staff at the S. Rajaratnam School of International Studies are attempting to build a professional school of international affairs that is inter-disciplinary in approach and with an emphasis on international security issues of contemporary significance. Invitation to the S. Rajaratnam School of International Studies has indeed reflected an awareness that Australia's larger security interests will be shaped by the security environment and emerging security architecture of the Asia Pacific region.

The conventional understanding of security is defined as the defence of states sovereignty and territorial integrity from overt military aggression. The new understanding of security in the region is dominated by the unconventional challenges of terrorism sponsored by non-state actors against states, the globalisation of religious radicalism and resultant identity/ethnic politics, and the challenges of rebuilding war-torn failed states. Non-traditional security issues would also include trans-national organised crime, pandemics, natural disasters, climate change, the environment, energy issues, the smuggling of persons, drugs and goods across international borders and the consequences of economic crises such as the 1997-98 Asian financial crisis.

THE RISE OF CHINA AND ITS IMPLICATIONS FOR ASIA PACIFIC SECURITY

The Asia Pacific has been relatively stable since the end of the Cold War despite predictions in the early 1990s to the contrary. However, the rise of great powers and the challenge they pose to existing hegemony have been marked by violence throughout history. The emergence of China as a peer competitor to the United States in the Asia Pacific over the next two decades will test this historical proposition. If China's rise is to be an anomaly to such historical patterns, it will

stand alongside the Anglo-American transitions. However, China's emergence as a great power is far from certain. Political and economic uncertainties abound.

This paper highlights four key aspects of the new security dimensions in the Asia Pacific as follows: First, the US role in the Asia Pacific is changing. While the US will remain a major power in the Asia Pacific, it will no longer be the 800-pound gorilla in the region and will have to handle the emerging ambitions of a rising China, which could play the role of a regional challenger. Second, the states of the region, including the members of ASEAN and Australia, will have to deal with the rise of China. Third, the rise of China is being accompanied by growing Sino-Japanese tensions which need to be managed, the parallel rise of India (which could pose a strategic challenge to China) and the articulation of Chinese norms and values embodied in 'the Beijing Consensus' that is challenging the Washington Consensus of Western norms and values, which has shaped international institutions since the end of the Cold War. Fourth, we must therefore recognise that Asia's security architecture is undergoing profound changes and a closer examination of the new overlapping regional multilateral institutions in the Asia Pacific is warranted. This will be followed by discussions on the implications of these developments for Australia as well as for Centre of International Security Studies (CISS).

Because of the strategic and economic significance of China, it is imperative that China becomes a critical player in the incipient web of regional multilateral institutions that is being created in the Asia Pacific. Australia and other states of the region need to change China through these institutions. As China participates in these institutions, China is being socialised and influenced by the norms and values of these structures, even as China's own values and disposition shape these institutions. The question is whether there is an emerging clash of values between the norms advocated by the US, the hegemonic power in the region since the Second World War, and those advocated by China, or whether it is possible for us to have a synthesis reflecting a marriage of American and Chinese values.

CONTRASTING THE US AND ASIAN PERSPECTIVES

Any discussion of the emerging security framework in the Asia Pacific must address the future role of the US. In 2003, US Secretary of Defence Donald Rumsfeld announced plans to restructure US forces in Asia. Instead of the Cold War approach of large standing forces deployed in large military bases around the globe, the new strategy called for the establishment of a series of outposts that would permit nimble US forces to respond effectively to emergencies. Rapid response US forces would jump off these strategic 'lily pads' and confront crises as and when they occur. Although the US is the leading trading partner for most states in the region and a major source of foreign direct investment (FDI), US policy-makers tend to view the region primarily as an economic and security concern rather than a possible source of future economic growth.

In contrast, there is increasing attention in the Asian region to the development of regional institutions, often seen by US policy-makers as soft institutions unable to handle major security challenges. This is a profound change in the region, particularly as the proponents of regional institutions include ASEAN states with traditionally close ties with the US. A key driver of the process of East Asian integration is the rapid rise of China as a major trading partner. ASEAN-China trade totalled nearly US\$ 79 billion in 2003, rising to US\$ 160 billion in 2006.

Some of the newer members of ASEAN, such as Myanmar, Laos, and Cambodia have benefited from Chinese largesse, and are supportive of Chinese concerns within ASEAN. Older members, such as Malaysia and Thailand, are beginning to bandwagon with China. Some long-standing US allies, such as the Philippines, are adopting hedging strategies. Indonesia, Vietnam, and Singapore prefer a regional balance of power. For these states, an active US presence would sustain their vision of the region's future.

THE WASHINGTON CONSENSUS VERSUS THE BEIJING CONSENSUS

The renewed self-confidence in East Asia today and the awareness that the era of US pre-eminence in East Asia is drawing to a close is likely to give rise to a revived debate over the validity of claims for an Asian model of development and the significance of Asian values in shaping Asian responses to global and regional developments. Since the demise of the Soviet Union and the emergence of the US as the sole superpower in the 1990s, attention has been drawn to the existence of a Washington Consensus in favour of elected democracies, the sanctity of individual political and civil rights, support for human rights, the promotion of free trade and open markets and the recognition of doctrines of humanitarian intervention.¹

However, the rise of China and the revival of confidence in Asia's growth paradigm are likely to see the articulation of a case for a Beijing Consensus founded on the leadership role of the authoritarian party state, a technocratic approach to governance, the significance of social rights and obligations, a re-assertion of the principles of national sovereignty and non-interference, coupled with support for freer markets and stronger regional and international institutions.

Growing Chinese self-confidence will lead in the coming decade to the articulation of Chinese perspectives on the structure of international society and the norms and values underpinning international order. The Asian financial and economic crises of 1997-98 led to the collapse of the earlier debate on Asian values. The new debate is likely to reflect the changing power relations within East

1 For more on the Washington Consensus see Williamson, John, "Did the Washington Consensus Fail?" Outline of Remarks at CSIS, Washington DC: Institute for International Economics, 6 November 2002. However, Williamson and other proponents use this term to describe a set of economics policies including "macro-economic discipline, a market economy and openness to the world (at least in respect of trade and FDI)". Its critics including Joseph Stiglitz contended that these neo-liberal economic policies were imposed by the Washington-based financial institutions on developing countries in the 1990s. However, I am broadening the issue of the term "Washington Consensus" to highlight the political agenda favoured by Washington in its interactions with developing countries.

Asia as well as to highlight alternative views on the appropriate ways and means of ordering societies and different understandings of the role and function of regional and international institutions.

China's increasingly active role in regional forums such as the Shanghai Cooperative Organisation (SCO), ASEAN Plus Three and future Northeast Asian institutional structures suggest that Chinese participants will attempt to focus these new institutions on regional cooperative security and economic development rather than human security. Just as Western dominance in the past century led to Western ideas shaping international institutions and global values, Asian leaders and Asian thinkers will increasingly participate in and shape global discourse, whether it is on the role of international institutions, the rules governing international trade or the doctrines which undergird responses to humanitarian crises. The argument that there is an emerging Beijing Consensus is not premised on the rise of the 'East' and the decline of the 'West', as sometimes seemed to be the sub-text of the earlier Asian values debate. However, like the Asian values debate, this new debate reflects alternative philosophical traditions. The issue is the appropriate balance between the rights of the individual and those of the state.

What is significant for the purposes of our analysis is that this emerging debate will highlight the shared identity and values between China and the states in the region, even if conventional analysis suggests that realist perspectives à la Mearsheimer will result in "intense security competition with considerable potential for war" in which most of China's neighbours "will join with the United States to contain China's power."² These shared values are likely to reduce the risk of conflict and result in regional pressure for an accommodation with China and the adoption of policies of engagement with China, rather than confrontation with an emerging China.

At the same time, the awareness in the region of the emerging norms in international organisations and international society is

2 Mearsheimer, "China's Unpeaceful Rise", *Current History* 105, no. 690 (April 2006): 160.

leading to greater attention to individual rights and social obligations is seen most clearly in the current move to adopt an ASEAN Charter. Whereas ASEAN had resolutely emphasised sovereignty, non-intervention and non-interference in the internal affairs of states since its inception in 1967, the Kuala Lumpur Declaration on the establishment of the ASEAN Charter of 12 December 2005 called *inter alia* for the promotion of democracy, human rights and obligations, transparency and good governance and strengthening democratic institutions.

THE IMPACT OF ASIAN REGIONALISM ON INTERNATIONAL INSTITUTIONS

The US pre-occupation with the war on terror, an unpopular occupation in Iraq and unilateralist approach to international institutions during the tenure of the George W. Bush Administration has provide an opportunity to China to strengthen China's relationships in the region, especially through the East Asia community-building process. The US is only now trying to catch up by offering an alternative model to institution building by refocusing on ASEAN, the ASEAN Regional Forum (ARF) and the Asia Pacific Economic Cooperation (APEC) organisation.

However, the intention of Secretary of State Condoleeza Rice to skip the ARF Foreign Ministers Meeting in Manila in August 2007 and President George W. Bush's decision to postpone the commemorative ASEAN-US Summit scheduled to be held in Singapore on 5 September 2007 confirms the relatively low significance attached to these regional institutions by a US President mired in domestic and foreign policy problems. Nevertheless, the process of institution building will take place with or without the US This is in sharp contrast to the early 1990s with the US still had a kind of 'veto power' on this issue and US objections led to the successful effort to block Malaysian Prime Minister Mahathir Mohamad's initiative to establish an East Asian Economic Grouping (EAEG) excluding the US, Australia and New Zealand.

The trend towards regionalism in the region has resulted in East Asia's changing role within international institutions. Once a defender of multilateral trade liberalisation in the WTO and a critic of the trend towards regional trading arrangements exemplified by the establishment of the European Union and NAFTA, East Asia has witnessed a rash of regional and bilateral trading arrangements since 2000. Japan and India have sought permanent membership of the UN Security Council, whose permanent membership still reflects the power relationships at the end of World War II.

Ironically, it is China, already member of the Security Council, which has been most reluctant to expand the Council to include these regional states. East Asian states have also been pushing for greater representation in global financial institutions such as the International Monetary Fund (IMF), especially as the perceived failure of the IMF during the Asian financial and economic crises of 1997-98 are deemed to be a consequence of the lack of adequate Asian representation within the IMF and Washington's focus on free capital markets.

EAST ASIAN COMMUNITY

The inauguration of the East Asian Summit (EAS) on 14 December 2005 in Kuala Lumpur brought together the ASEAN states, China, India, Japan, South Korea, as well as Australia and New Zealand into an Asian regional grouping—with Russia also sending an observer. This broader inclusive identity is likely to exist simultaneously and compete with an exclusive East Asian Community (EAC) comprising the ASEAN Ten plus China, Japan, and South Korea.

The US is likely to participate in the EAS as long as it is unwilling to accede to ASEAN's Treaty of Amity and Cooperation. It is clear that Asia's security architecture is undergoing profound changes. The US 'hub and spoke' model of the Cold War is not the only organising principle. The emerging regional institutions in the Asia Pacific will be an increasing significant factor.

While the EAC offers a 'closed', exclusive model of East Asian regionalism, the EAS adopts an 'open', inclusive model. The EAC is based on a model of participation by contiguous states (also known as ASEAN Plus Three in ASEAN circles and as the 10+3 in Chinese reports, reflecting China's preference to handle relations with ASEAN states on a bilateral basis). The EAC is therefore likely to be dominated by China over time.

The Chinese emphasis is on an East Asian regionalism excluding the US rather than Asia Pacific regionalism, multipolarity rather than multilateralism, and essentially the application of uncontested and standard UN Charter principle to East Asia. The Chinese focus is on the EAC framework accompanied by a preference for the management of relations through bilateral linkages.

In contrast, the US prefers institutions set in the wider Asia Pacific context (ARF, APEC come to mind) and primarily as complementary diplomatic instruments to its system of bilateral military alliances, especially its core alliance with Japan. Institutions are thus not expected in Washington to pose a threat to its unipolarity but rather to consolidate it. These different values and strategies are present in the very regional institutions currently being established in the Asia Pacific, making the clash of norms and values quite possible. The role of mitigating these differences and shaping a coherent synthesis could therefore be played by smaller states in the region. This provides ASEAN and Australia with an opportunity to shape the emerging regional security architecture and to ameliorate the risks of clash of cultures or clash of civilisations.

IMPLICATIONS FOR AUSTRALIA

From an Australian perspective, ties of history, military alliance relationships, shared norms and values as well as excellent informal relationships bind Australia and the US. However, Australia's growing trade and economic relationship with China will lead Australia to minimise the possibility of US conflict with China and to advocate increasing engagement with China. EAS, APEC and ARF provide the

major point of Australian access into the process of regional institution building.

One approach might be to encourage the EAS to engage in confidence building by providing an informal opportunity for national leaders to exchange views and to share frank assessments based on a targeted agenda within an informal setting. Australia is uniquely placed to play this role because of its active involvement in Commonwealth Heads of Government Meetings, which adopt this model and have been successful in retaining continued active participation of Presidents and Prime Ministers of its members.

APEC and the ARF could be the key to a strategy designated to engage the US and China. Australia's hosting the 2007 APEC Leaders' Meeting provides an opportunity to exercise leadership. As APEC's programme for early, voluntary sectoral liberalisation has stalled, APEC leaders will advance a security agenda at APEC meetings as security discussions provide substance to the annual APEC Leaders Meeting, even though economists criticise the move away from an economic focus. APEC already has directors responsible for non-traditional security issues such as counter-terrorism and infectious diseases. It has also begun discussions on issues such as supply-chain security, maritime security, energy, and the environment. Australia is poised to lead the way in advancing these new initiatives within APEC as well as proposing new areas of activity such as APEC cooperation on climate change issues.

There is a significant change in attitudes towards the environment and climate change in the APEC region, particularly in East Asia, where this issue is no longer seen as a developed versus developing countries issue but one which affects the security of their own citizens. In APEC initiative on the environment and climate change would therefore be timely. The US and China are the leading global emitters of carbon dioxide, followed by Indonesia. Carbon dioxide emission in East Asia will rise rapidly in the next two decades. The APEC Leaders' Meeting could promote the adoption of policies aimed at encouraging the efficient use of energy in the APEC region. However, the Kyoto approach of prescriptive, legally binding obligation will

be resisted in East Asia. An approach which focuses on changing the norms and obtaining consensual agreements is much more likely to succeed. This is where an APEC initiative could be effective as it would mark a move away from the Kyoto model and bring onboard China, Indonesia as well as the US.

Another initiative could be an agreement on meetings at the summit level of members of the ARF once in every three years when APEC is hosted by an ASEAN member. The ARF has been marginalised because it is primarily an institution serving foreign ministers and has only recently begun to meet at the defence ministry senior officials' level.

APEC members such as Australia with an interest in maintaining the momentum of multilateral WTO trade negotiations could also push for a renewed emphasis in APEC on trade liberalisation. If the US and China took the lead in proposing a multilateral APEC free trade agreement under GATT Article XXIV among countries and customs territories interested in opening markets across the board, it would help to reshape the substance and atmospherics of international trade negotiations. The focus would shift away from free trade agreements (FTAs) while providing the necessary pressure on the European Union, the US and the major developing countries to conclude negotiations in the current stalled Doha Round of WTO negotiations.

Politically, it could be the imaginative approach necessary to create a new foreign policy opening between the current global hegemon, the US, and the world's rising power, China. Such an alignment would assist in ensuring the peaceful development of China and prevent the emergence of new great power conflicts by creating binding interests. If a new concern of interests can be created between the US and China, it is possible that China's emergence, like that of the US at the end of the 19th century, when Britain was the global hegemon, could take place within the framework of a rule-based international system willing to accommodate the emergence of new global powers with shared interests in the maintenance of global peace and stability.

IMPLICATIONS FOR CISS

The contours of this analysis provide an indication of some of the advantages arising from the establishment of the new Centre of International Security Studies (CISS), with its focus on 'real world problems'. The academic discipline of International Relations (IR), which increasingly focuses on *understanding* phenomena, has difficulty in addressing the concerns of the policymaker, which are generally focused on *problem solving*. Policymakers tend to view the current debate among intellectual schools of thought within the academic discipline of IR over definitions, methodologies, epistemologies, etc. as an arid debate unlikely to be helpful in providing solutions to global or regional problems.

From a policymaker's perspective, depending on the situation that one is in, it is quite possible that the same individual would be realist in some circumstances supporting a balance of power between contending states, an advocate of international and regional institutions in others and be keenly interested in the development of norms in the international community which would create the conditions for a stable peace.

CISS and similar efforts to bridge the gap between academic analysis and the policy world can help by drawing attention to the existence of a corpus of intellectual activity within the discipline of IR designed to provide a *methodological toolbox* available to policymakers, just as such a centre should tap the mindsets and methodologies taught in business or engineering schools as well as the experience of practitioners in fields as diverse as biological and environmental science, public health and energy economics.

The research agenda of CISS and similar institutions must go beyond the analysis of traditional security issues, which was the focus of research during the Cold war. The risk of war between states in the Asia Pacific is lower today than it was thirty years ago. Symmetric force-on-force threats that were feared in the Cold War are less likely now, although these still exist in the background. Instead, asymmetric threats such as climate change, transnational terrorism,

transnational organised crime, pandemics and natural resource shocks have regularly hit the headlines. Asymmetric threats are the current focus of attention, especially in the light of the Iraq War experience, SARS and the 2004 tsunami, and will remain so for the foreseeable future—unless one of the great powers attempts to radically realign the system.

Research centres, such as CISS, can play a useful role because in an asymmetric threat environment, knowledge, not simply power, is the key. In order to mitigate the effects of these threats, we must first understand them. Given the multidimensional challenges that states and corporations face today, decision makers require actionable knowledge to operate effectively in a rapidly changing and complex international environment. One of the most recurrent aspects of human history is the persistence of strategic surprises such as Pearl Harbour, 9/11 and the Asian financial crisis. The taproots of these intelligence failures are almost always the lack of information sharing, commonly referred to as “stove piping” or “silos”.

The risk is greater the longer we are in organisations as we are socialised into appropriate corporate methods. CISS and similar institutions can contribute to improving the process of policymaking and facilitating problem solving by detecting “faint” signals; through networking and linking governmental and private agencies; encouraging the adoption of a “whole of government” and “whole of organisation” approach; and fostering shared and informed analysis based on methodological diversity. This could lead decision-makers to have greater foresight and should reduce the risk of strategic surprises.

As a graduate teaching programme, a successful Centre would have made its mark if it produced graduates with a multi-disciplinary, policy-oriented and multi-cultural orientation. It would be part of a new trend towards the establishment of professional schools and centres of international affairs and security studies. The S. Rajaratnam School of International Studies is part of this new approach aimed at developing decision-makers outside academia with an exposure both to academic theories and experience of the new issues shaping

international affairs as well as training academics as comfortable with the real world as they are with theories of international security.

Just as new regional multilateral institutions are being established at the inter-governmental level, there are new networks of research institutes and think-tanks in the Asia Pacific region that are examining non-traditional security issues. The S. Rajaratnam School of International Studies leads a consortium of fourteen institutions in Asia aimed at increasing the networking among scholars and analysts working on non-traditional security issues in the region, promoting capacity building in this field and sharing information and knowledge so that each of our societies can respond better to emerging non-traditional security challenges.

The participation of CISS in such networks will provide new opportunities for Australian engagement with an emerging Asia Pacific region. As mentioned previously, Asia's security architecture is undergoing profound changes and Australian analysts should be alert to signals of emerging trends in the region, just as Australian policy-makers and business leaders will have to be agile while navigating the more fluid Asia Pacific strategic environment. A willingness to adapt, to change and to be open to more diverse approaches will be the key to success in this environment.

SOUTHEAST ASIAN SECURITY AND ITS INFLUENTIAL "OTHERS"

Sheldon W. Simon

INTRODUCTION

Southeast Asia—a coterie of ten small and medium states organised within the Association of Southeast Asian Nations (ASEAN)—engages with a number of important extra-regional actors, the most significant being China, the United States, Japan, Australia, and India. From a Southeast Asian perspective, these relationships are designed to promote the region's security and prosperity as well as to raise its political stature beyond that of its individual members. All of these "outsiders" are welcome as economic and political partners, though their security ties to the region are more differentiated. This discussion paper focuses on the key China-Southeast Asia relationship, the US role in the region, particularly as it relates to China's rise, and the growing importance of Japan, Australia, and India.

THE CHINA NEXUS

China's emergence as a major regional power is transforming the economic, political, and security environment in Southeast Asia. Although many Southeast Asian states appear to be recovering from 1997-98 financial crisis, its effects are still evident, not least in political and social instability in key ASEAN states, such as Thailand

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and Indonesia. Even those countries that appear to have recovered economically are beset by the interlocking challenges of globalisation, political liberalisation, and transnational terrorism. Against this backdrop of rapid change and complex challenges, China's decades-long economic growth and enhanced political influence pose major questions to the countries of Southeast Asia regarding the region's future and to the United States for its role as the region's security guarantor.

The China-Southeast Asia dyad is mediated by a strong Southeast Asian desire to sustain US economic, political, and security interests as a means of externally balancing China's current dynamism. Illustrative of this Southeast Asian goal of keeping the Americans involved in regional political gatherings has been the hope of several Southeast Asian states, particularly Singapore, the Philippines, and Indonesia, that the United States would sign ASEAN's Treaty of Amity and Cooperation (TAC) as a prerequisite for membership in the initial December 2005 East Asian Summit (EAS). When Washington demurred, these same Southeast Asian members were quick to join Japan in extending EAS membership to Australia and India as a thinly disguised way of reducing China's influence and raising the number of countries that might represent US views by proxy until Washington decides to join.

Southeast Asia's efforts to encourage multidimensional US and Chinese activities in the region can be seen as "soft balancing", that is, an American air and naval presence without any formal region-wide military alliance on one hand and China's membership in regional multilateral organisations on the other. The Southeast Asian goal is to bring about some degree of political convergence so that both great powers will have a stake in preserving Southeast Asia's autonomy and promoting its prosperity.²⁶ Once again, an example may suffice to demonstrate the balance. US armed forces regularly exercise with their counterparts of ASEAN's original six members (Malaysia, Singapore, Thailand, Indonesia, Philippine and Brunei). China has no comparable military relationship. On the other hand, the People's Republic of China's (PRC) participation in all regional political gatherings makes

it a useful ally against Western human rights pressures. Southeast Asia obtains security benefits from the United States and political support from China.

CHINA'S GRAND STRATEGY AND SOUTHEAST ASIA

Underlying the PRC's political, economic, and security orientation toward Southeast Asia is a grand strategy, consisting of the plans and policies necessary to enable China to emerge as a great power in the 21st century. These plans and policies took shape from the mid-1990s and, although not explicitly formulated in any single document, may be discerned by observing its international relations over the past decade. Four international conditions form the base from which China's grand strategy emerges:

- **US Strength**

Beijing hoped that the Cold War's end would lead to a change in the global power configuration toward a multipolar system in which China would be a major component. However, America's economic and military strength in the 1990s – demonstrated in the first Persian Gulf War and the US role in establishing order following Yugoslavia's break-up showed that US unipolarity would last for decades and that Washington had the ability to frustrate China's international ambitions.

Nevertheless, the post 9/11 war on terrorism has brought US and Chinese security interests closer, and Washington's focus on the Middle East tying up large numbers of US ground forces in Iraq and Afghanistan may have created the impression in China that the United States is "distracted". If so, this could be a mistake. The 2006 Quadrennial Defence Review (QDR) emphasises Asia. There are plans to deploy stealthy B-1 and B-2 bombers to Guam and to move an additional carrier battle group to the region for a total of six throughout the Pacific and Indian Ocean, along with 60 percent of the US submarine force.

- **China's Weakness**

Despite China's impressive economic growth, beginning with the late 1970s economic reforms and its military modernisation in the last decade, the PRC lags far behind the United States in both areas. The combined US and Japanese forces in Northeast Asia continue to maintain dominance over the PLA's capabilities.

- **Nervous Neighbours**

Although militarily and economically outclassed by the United States, China's unprecedented economic growth and increasing power projection capabilities have led to an Asia-wide debate about a "China threat". In Southeast Asia, this concern centred on the PRC's assertive posture toward maritime disputes in the South China Sea. China, in turn, is concerned about the revitalisation of US Cold War alliances with Australia and Japan as well as US military cooperation with Southeast Asian states. Some in Beijing wonder if this is the beginning of a new China encirclement strategy.

- **Taiwan Tension**

The most likely regional conflict that could lead to a direct China-US confrontation is the prospect of a Chinese attack on Taiwan. Washington signalled its willingness to use force via coercive diplomacy during the 1996 Taiwan Strait crisis when the US deployed two carrier battle groups to both sides of Taiwan.

China's response to the four challenges listed above has been to articulate a grand strategy, originally termed "peaceful rise" but more recently renamed "peaceful development." The idea is to change others' perceptions of China's modernisation from a threat to a partnership.

From the mid-1990s, China devised policies to reassure its neighbours. On the economic front in the 1997 financial crisis, Beijing

exercised self-restraint during the wave of currency devaluation in Southeast Asia. Politically, the PRC embraced multilateralism via its participation in ASEAN post-ministerial meetings, the ASEAN Regional Forum (ARF) and ASEAN+1. Nevertheless, the question remains: "What happens when China rises?" Cognisant of Asian suspicions, PRC leaders insist that China "will never be a hegemon, never practice power politics, and never pose a threat to world peace." The promise, however, can only be tested by its delivery, which may be years in the future.

Nevertheless, China, the United States, and Southeast Asian nations possess important common interests, i.e., fighting terrorism, dealing with the proliferation of weapons of mass destruction, coping with environmental degradation, addressing public health crises, and encouraging trade and investment.

Southeast Asia is a prime example of how Beijing's promotion of common interests has largely overcome earlier suspicions and fears about China's territorial claims. Beijing's 2002 accession to ASEAN's modus operandi for handling disputes in the South China Sea, ASEAN's shift in emphasis to ASEAN+3 (with China, Japan, and South Korea) and somewhat away from the US-inclusive Asia Pacific Economic Cooperation (APEC) forum, in addition to the PRC's prominent role in the December 2005 EAS, all suggest that China's diplomatic profile is more visible than that of the US in Southeast Asia.

China's elevated diplomatic profile in Southeast Asia will concern the US if it leads to Chinese attempts to weaken US political-security ties in the region. China's growing economic position in mainland Southeast Asia could trouble US policymakers insofar as political influence correlates with economic dependence. Chinese energy investments in Indonesia rival those of Western companies. In addition, China's military sales are increasing to Thailand, Malaysia, and Indonesia—a new linkage that could lead to closer military-to-military relations for the PLA. In the aggregate, China's varied initiatives in Southeast Asia could be seen as new steps in a zero-sum competition with the US. Some US policymakers and analysts fear

precisely this possibility. Others are less concerned, however, given well-established US alliances, trade, and investment in the region.

Along with the economic dimension, the China-ASEAN Free Trade Agreement (FTA) is the first such multilateral relationship the Association has established, signalling China's centrality to Southeast Asia's economic growth. China-ASEAN bilateral trade has increased about 20% annually since 1990; and for the past decade, the trade balance has favoured ASEAN. However, the investment direction is the reverse with Singapore, Malaysia, Thailand, and Brunei investing over US\$ 40 billion in China—the lion's share coming from Singapore in manufacturing and service. To balance the PRC's trade profile, ASEAN is negotiating multiple FTAs with Japan, India, South Korea, Australia, and New Zealand. Although the United States has no ASEAN-wide FTA plans, Washington has proposed an ASEAN Enterprise Initiative that includes trade liberalisation. Nevertheless, the US prefers bilateral FTAs that are being negotiated with Malaysia and Thailand. However, only one has been completed with Singapore. In 2007, ASEAN-China trade totalled US\$ 171.1 billion, with Australia and New Zealand US\$ 47.8 billion, and with India US\$ 37 billion.

Energy security constitutes China's most recent economic quest. With its burgeoning economy, China is now the largest overall energy consumer in the world. Moreover, the International Energy Agency predicts that PRC oil imports will crease more than 500 percent by 2030 to more than 11 million barrels per day or 80 percent of the country's total oil needs. Natural gas imports, currently a fraction of its energy resources, are also expected to jump as China shifts from coal to gas for electricity. Liquefied natural gas will come mainly from Southeast Asia.

Burma fronts on the Indian Ocean, by way of the Bay of Bengal. Its neighbours India and China (not to mention Thailand) covert its abundant oil, natural gas, uranium, coal, zinc, copper, precious stones, timber, and hydropower. China especially needs a cooperative, if not supine, Burma for the construction of deepwater ports, highways, and energy pipelines that can open China's landlocked south and west to the sea, enabling its ever-burgeoning middle class to receive speedier

deliveries of oil from the Persian Gulf. These routes must pass north from the Indian Ocean through the very territories wracked by Burma's ethnic insurgencies.

Burma is a prize to be contested, and China and India are not so subtly vying for it. But in a world shaped by ethnic struggles, higher fuel prices, new energy pathways, and climate-change-driven natural disasters like the recent cyclone, Burma also represents a microcosm of the strategic challenges the United States will face. The US Navy underscored these factors in its new maritime strategy, released in late 2007, which indicated that the Navy would shift its attention from the Atlantic to the Indian Ocean and the western Pacific. The Marines, too, in their new "Vision and Strategy 2005" statement, highlight the Indian Ocean as among their main theatres of activity in the coming years.

But toward Burma specifically, US policy seems guided more by strategic myopia. As Robert Kaplan has recently argued in *The New Yorker*, the Bush administration, like its predecessors, has loudly embraced the cause of Burmese democracy but has done little to advance it, either by driving diplomatic initiatives in the region or by supporting any of the ethnic insurgencies. Indeed, the US Special Operations Command is too preoccupied with the western half of the Indian Ocean, the Arab/Persian half, to pay much attention to Burma, which lacks the energising spectre of an Islamic terror threat. Meanwhile, the administration's reliance on sanctions and its unwillingness to engage with the ruling junta has left the field open to China, India, and other countries swayed more by commercial than moral concerns.

Security of the sea lines of communication (SLOC), over which China currently provides no protection, is integral to Beijing's energy security plans. Over 90% of China's trade is dependent on sea transport. In effect, the PRC relies on the US Navy to secure the open ocean "public good" of security—an uncomfortable situation from Beijing's perspective. Indeed, a conflict with the US over Taiwan could lead to a US decision to disrupt China's energy supply flow. To overcome this naval deficit, Beijing is developing naval access arrangements

with Pakistan, Burma, and Bangladesh, and has expressed interest in joining the Malacca Straits states' patrols.

On balance, China's energy investments in Southeast Asia are a moderating influence that has facilitated its adherence to ASEAN's Treaty of Amity and Cooperation (TAC), the 2002 Declaration of Conduct on the South China Sea and the 2005 agreement with the Philippines and Vietnam on exploration of the seabed under the Spratly Islands. These arrangements could help secure energy for all participants, or they could collapse if China were to insist on the lion's share of whatever is discovered.

In the political realm, the PRC's stature has been rising in Southeast Asia in recent years and US prestige has flagged because of controversial post-9/11 policies abroad. The region nevertheless remains primarily oriented toward the US. Washington is seen as the "least distrusted power" in Southeast Asia with no territorial or other ambitions directly at odds with ASEAN states' interests.

Nevertheless, China's rise over the past two decades has created a new "inside-out" model of Asian regional politics in which an indigenous state—rather than an outsider—has become the primary security focus. Indicative of the PRC's concomitant confidence in an Asian leadership role has been its weight in Asian regional organisations. China's "benign and attentive" diplomacy has increased its soft power at a time when perceived US heavy-handedness has harmed its image. Particularly important from Southeast Asia's perspective is that both Washington and Beijing support regional stability, thus ensuring that the region's members are not being asked to take sides between the two great powers.

The advantage of the US vis-à-vis China include its still predominant trade and investment position in Southeast Asia, though complicating this positive position are its controversial Iraq policies and the war on radical Islamism. Nevertheless, open US markets and constructive Asian security policies can be further enhanced by playing a larger role in Asian multilateral institutions and eschewing unilateralism.

After the Cold War, ASEAN members questioned the stability and longevity of a US commitment to Southeast Asian security, necessitating an ASEAN decision to engage China. ASEAN has chosen to draw China into the processes and norms of regional security discussions dominated by ASEAN rules, that is, the ASEAN ministerial conferences and the ARF. The hope was that multilateral engagement would create a constraining web of interdependence via a lattice of networks and relationships. The goal of this complex engagement is China's socialisation into a culture of restraint with respect to its activities in Southeast Asia.

Some positive outcomes have ensued: (1) China has abandoned its previous insistence on exclusively bilateral discussions on the South China Sea; (2) the PRC has agreed to general rules of conduct in maritime Southeast Asia, though no formal Code of Conduct yet exists; (3) Beijing was the first non-ASEAN signatory to the Association's TAC in 2003; (4) China has expressed willingness to sign on to a Southeast Asian Nuclear Weapons Free Zone; and (5) the PRC negotiated an ASEAN FTA in 2002.

For ASEAN the underlying understanding is that China is already a great power. Southeast Asian states want to shape the kind of power China will be. Nevertheless, US hard and soft power in Asia will continue to exceed China's efforts for some time and greater US attention to regional multilateral organisations should help burnish its current tarnished image to Southeast Asia.

An Indonesian perspective on the rise of China reflects much of the rest of Southeast Asia. Jakarta displays a "free and easy" unaligned position in relations with the major powers: its foreign policy is conditioned by the intricacies of domestic politics in a democratic system in transition in the largest Muslim nation in the world. Moreover, Indonesia's approach toward China is part of a triangular context with Indonesia-US relations.

Perceptions of China have changed since the fall of the Suharto regime—domestic tensions between the Chinese minority and Muslim majority population have been reduced and the security forces that are more traditionally suspicious of China now have less political

influence—rendering successful recent Chinese diplomatic initiatives towards Indonesia, which culminated in the bilateral strategic partnership agreement signed in April 2005. This improving trend occurs while relations with the United States at best tread water.

Given their concerns about the US war of terrorism, the war in Iraq, and perceived US unilateralism, important Indonesian constituencies, including Muslim groups, see a rising China as potentially providing a counterbalance for some of the more malevolent tendencies in US hegemony. Nonetheless, Indonesian perceptions are changeable and could be influenced by domestic politics and by how the US shapes its broader foreign and military policies toward Indonesia.

There is no doubt that China's political clout is increasing in the ASEAN region and that for the first time in over 60 years an Asian state has become the primary focus for Southeast Asia. For the ASEAN states, the challenge has been to draw China into regional security discussions without ceding dominance to Beijing and simultaneously keeping the US involved, while pressing Washington to broaden its Southeast Asian agenda beyond counter-terrorism. Indicative of this new setting is Indonesia's eager engagement of the PRC attendant upon the decline of tensions between the archipelago state's Chinese minority and Muslim majority. For Jakarta and other Southeast Asian governments, China provides a balance to the US (and Japan), once again bolstering Southeast Asia's independence.

Malaysia's China policy, as well as Thailand's, is based on economic pragmatism. China is an important trade partner for both and an energy importer from Malaysia. High-level visits to Beijing by both Bangkok and Kuala Lumpur include business delegations looking for joint venture prospects. In order to promote its economic relations with Beijing, Malaysia under Prime Minister Mahathir was more accommodating with respect to the Spratly Island dispute than the Philippines has been.

Malaysia has agreed with China that outsiders should not attempt to mediate in the South China Sea (read: the ARF and the US). Malaysia also backed China's efforts to limit EAS membership to the ASEAN+3 countries (Japan, Korea, China). Moreover, the two

governments have acknowledged commonalities with respect to human rights, development needs over environmental protection, and opposition to a US-dominated international order. Malaysia's current complaints charging US interference in the latest sodomy allegations against opposition leader Anwar Ibrahim constitute a case in point. Finally, the 2005 bilateral defence cooperation Memorandum of Understanding signifies that Malaysia now sees China as a strategic partner.

Singapore's China policy fits its overall strategy of being open to all external actors that promote regional stability and prosperity so long as Singapore can maintain its political options. Hence, strong economic and political ties with China coexist with similar links to a variety of external powers, including the US, Japan, Australia, and India. Singapore holds two self-images: a *real politik* security state and a liberal economic trading regime. The hard security self-image is tied exclusively to the US and its allies – Japan, Australia, New Zealand, and the United Kingdom.

CHINA'S MILITARY ROLE IN SOUTHEAST ASIA

In military affairs, Beijing's objective is to build Asia's dominant defence establishment. However, there is no rush because China is more secure from an imminent external threat than at any time in the past 150 years. Nevertheless, the PRC is apprehensive about US military power, its perceived encirclement of China, and the growing technological gap between the PA and the US armed forces.

While China's military build-up is directed primarily at a Taiwan scenario, it can apply to other contingencies, including the South China Sea. The PRC's military modernisation, however, is still heavily dependent on outside suppliers, particularly Russia. To become a truly independent military power, China must develop its own state-of-the-art defence industry—a prospect that may one to two decades away. Meanwhile, the vast majority of its air, naval, and strategic missile forces are based on updated version of 1960s technology.

Should the PRC want to deploy its navy to establish a presence in the South China Sea, it has the capacity to do so. However, that

does not translate into an ability to sustain combat far from China's shores. With limited anti-aircraft capability and aerial refuelling, its ships would even be vulnerable to regional air forces. Nevertheless, China can sustain a defence burden of 2 or 3 % of GDP with as little as a 5 percent annual national growth rate. Thus, within 20 years, Beijing will have produced a much more formidable armed force. Ultimately, the PLA seeks the ability to operate beyond Taiwan all the way to the Mariana Islands to protect China's SLOCs and trade routes. Nonetheless, currently the PLA has few destroyers capable of operating in the open ocean, and no military bases are being acquired abroad.

China is engaging its neighbours in intensive security dialogues alongside regular military exchanges with Southeast Asian armed forces. A list of PRC security gestures designed to reassure Southeast Asia include China's 2003 accession to ASEAN's TAC—in effect a non-aggression pact. In 2004, China and ASEAN established a Strategic Partnership for Peace and Prosperity. In addition to reassurance, these relationships also provide Southeast Asian states with opportunities to influence China's security thinking. A primary goal of this diplomacy is to downgrade the importance of the Cold War's US alliance as "old thinking" in which states directed their energies against specific possible adversaries.

By contrast, China argues Southeast Asia should consider as a replacement "cooperative security" examples of which would be the ARF and perhaps the incipient ASEAN Security Community. These are neither hierarchical nor organised against a putative enemy but based on consensus and particularly applicable to non-traditional security challenge such as infectious diseases, human trafficking, transnational crime, environmental pollution, and terrorism – all of which are now on Southeast Asian security agendas.

Beijing particularly courts the Strait of Malacca littoral—Thailand, Malaysia, Singapore, Indonesia—with the goal of ensuring that these states would not be part of any effort to close this vital passage at Washington's request in the event of war over Taiwan. Nevertheless, it seems that China is not promoting a regional strategic vision,

nor proposing alliances to balance the US as a regional security guarantor.

Taken as a whole, ASEAN air power is comparable with China's air assets, and ASEAN navies can jointly deny access to the South China Sea to any PLA Navy vessel if ASEAN navies would be able and willing to cooperate. Moreover, concerns about Chinese penetration of the Southeast Asian arms market appear premature. The region's armed forces continue to buy primarily from Western suppliers and increasingly Russia.

Summarising the dynamics of China's rise in Southeast Asia, it can be said that in the economic realm, the picture is mixed, as Southeast Asia faces severe competition from the rapidly growing Chinese economy but also stands to gain from increasing intra-regional trade and investments flowing from China. Beijing's successful diplomacy in Southeast Asia since the mid-1990s has moderated perceptions of it as a threat. In particular, one notes the moderation of China's claims in the South China Sea, pointing to its adherence in 2002 to the MOU on greed behaviour and then the 2005 agreement among the Philippines, Vietnam, and China for joint exploration of resources.

However, the US remains of primary importance in underpinning regional security despite current problems with its image after the war in Iraq. The US is more trusted and seen as a more benign than other powers, while from the Southeast Asian perspective, continuing reliance on the US security umbrella reflects these smaller states' needs to diversify their dependencies and maximise room for manoeuvre between the major powers.

The most extreme concerns about China's rise have naturally centred upon its growing military capabilities. In the military sphere, Chinese defence capabilities are currently limited in power projection terms, thus constraining its ability to pursue ambitions outside of its immediate ambit, such as in Southeast Asia. It is still unclear whether Beijing's ultimate ambition is building the most formidable military establishment in Asia or the more restrained intention of building sufficient power projection capabilities to protect its trading routes

all the way to the Marian Islands, but not to supplant the US role as security guarantor in Southeast Asia.

THE JAPAN-US ALLIANCE AND THE COAST GUARD'S IMPORTANCE

For the US, Japan has been the indispensable ally in East Asia since the 1950s, an "unsinkable aircraft carrier" and over time a low profile military power whose Aegis-equipped navy and F-15 combat aircraft add capability to American air and sea power in the western Pacific. Southeast Asian states have welcomed this alliance, initially as reassurance that Japan would not become an independent military forces as it was in the Pacific War and, more recently, because Japan is seen as a potentially significant contributor to sea lane security.

After 9/11, in October 2001, the Japanese Coast Guard became a virtual fourth branch of Japan's armed forces. This is significant for Southeast Asia because it coincided with Tokyo's expanded anti-terrorism legislation that authorised the dispatch of navy ships to the Indian Ocean to fuel American and British vessels dedicated to the Afghanistan operation. By 2006, Japan's Coast Guard, parallel to the navy, was explicitly involved in securing the safety of sea lanes. In this context, it now provides training for Southeast Asian maritime police on the safety of their littorals. Conferences on maritime safety and law enforcement regularly attended by coast guard personnel from the ASEAN states are funded by Japan. In 2006, anti-terror grant aid was used to provide coastal patrol vessels to Indonesia and the Philippines. Because the ships were not armed, the transfer was not deemed a violation of Japan's ban on weapons exports.

Japan has also assisted Indonesia and Malaysia (when Kuala Lumpur purchased similar ships) to create their coast guards, in part so that Tokyo could transfer arms to them as maritime police rather than navies. Additionally, Japan regularly accepts Southeast Asian coast guard officers for training in its military academy in Yukosuka.

In sum, the Japan coast guard trains its Southeast Asian counterparts, exercises with them, and has deployed alongside Japan's navy in multilateral anti-piracy exercises in the South China Sea.

Japan coast guard officers regularly participate in the armed forces component of the ARF. All of this demonstrates that Japan has come of age as a security partner for Southeast Asia. In the past, the region's memory of Japan's brutal World War II occupation required that any Japanese military capability be closely linked to US armed forces in the region. While this linkage is still welcome in Southeast Asia, it is no longer necessary. Japan's independent maritime role, embodied in its coast guard, is not sought by most Southeast Asian states.

INDIA AND AUSTRALIA: THE MORE DISTANT "OTHERS"

No discussion of Southeast Asian security is complete without some reference to the roles of Australia and India—the former a long-time American ally with Southeast Asia as its near north, the latter a post-Cold War US partner with growing interest in Southeast Asia for both trade and security, particularly as a region that could help balance against China. India's rise as a global economic power also accounts for expansion of its navy. Approximately 65% of India's oil supplies transits the Indian Ocean. For Delhi, the Indian Ocean region also includes Southeast Asia. In the aftermath of the December 2004 tsunami, the Indian navy rushed aid to Sri Lanka and Indonesia. In the wake of Cyclone Nargis in May 2008, Indian ships provided assistance to Burma.

The Indian navy is also a significant partner in the annual US Malabar joint naval exercise, which, in September 2007, included ships from Singapore, Australia, and Japan as well as India and the US. That five-day event was the largest Asian multinational naval exercise in decades, ranging from mock air battles, to sea strikes near the Malacca Strait, and anti-piracy drills off the Andaman Island chain. Some analysts described Malabar 07-02 as a response to China's "string of pearls" strategy whereby the PLA navy has gained access to Indian Ocean parts of Burma and Bangladesh. Others see the exercise as the beginning of an alliance of Asian democracies. However, the commander of the US Seventh Fleet, Vice Admiral Doug Crowder, underplayed these speculations, insisting that the war games, held not far from Burma, were directed against no country but provided

for the common good of keeping the sea lanes open for international commerce.

Additionally, Delhi is engaged in a contest for influence in Burma to counter China's dominant position. India is concerned about Chinese listening stations that have been established along Burma's border with India. So, in 2001, India began to provide military aid and training to the Burmese army. Delhi is also investing in Burma's oil and gas fields, spending US\$ 100 million to develop the port of Sittwe. In effect, India has chosen to ignore the Burmese junta's human rights abuses in order to court its leaders in a geopolitical rivalry with China.

In 2007, China overtook Japan to become Australia's largest trade partner as well as a major investor in Australian natural gas. While Beijing accepted Canberra's close strategic relationship with Washington, PRC warned Australia not to become part of a China containment policy, particularly with respect to Taiwan. Thus, Canberra has pursued a dual engagement policy designed to keep the US involved in East Asia, while also providing opportunities for PRC; hence, Australia's initiatives in the creation of APEC (1989) and the ARF (1994). Australia's affiliation with the EAS in 2005 is the first instance in which Canberra joined a group in which the US is not (yet) a member, though a number of analysts believe one of Canberra's roles in that body has been to represent US interests alongside Japan.

Indeed, the Australia-Japan 2007 bilateral Joint Declaration on Defence Cooperation combined with the Malabar exercise of that year suggest that there is a new strategic relationship among Japan, the US, and Australia. The purpose of that relationship may be to hedge against a China that might choose military confrontation in the future but not to challenge China's peaceful rise to dominance in Asia's political economy.

In Southeast Asia, Canberra has concentrated on promoting stability in Indonesia through considerable assistance to the Indonesian national police in developing its counter-terrorist capabilities. Australia has also taken the lead in buttressing a fragile post-independence East Timor since 1999. Canberra has also initiated a major programme to

enhance the law and order and help build administrative capacity in Papua New Guinea. Moreover, the long-lived Five Power Defence Arrangement provides Australia's navy and air force with annual opportunities to exercise with their Malaysian and Singaporean counterparts. Promoting stability and building political capacity in Southeast Asia comprise Australia's primary policy goals for the region.

CONCLUSIONS

Critiques of US actions (or lack thereof) in Southeast Asia emphasise symbolic politics, that is, the US pays insufficient attention to the region's multilateral organisations, ASEAN and the ARF, and has given no indication that it is prepared to join the EAS. The critiques note the number of times Secretary of State Rice has passed on ASEAN and ARF ministerial meetings and go on to charge that when it does focus on Southeast Asia, Washington's interest is confined to counter-terrorism rather than an array of political fields.

Some of these complaints were justified, especially in the first four years of the Bush administration. However, they pay less to his second term. Beginning with the December 2004 Indian Ocean tsunami and continuing through 2008 and Cyclone Nargis, the navy and marines have provided medical and other humanitarian services throughout the region with hospital and amphibious ships that regularly call at Southeast Asian ports. This form of humanitarian military diplomacy has had significant public opinion payoff at least in those areas where assistance has been provided.

More broadly, the Pacific Command conducts multiple bilateral and multilateral exercises with Southeast Asian armed forces annually through CARAT, SEACAT, BALIKITAN, and COBRA GOLD, among others, leading to at least minimal interoperability with most of the region's military and the creation of personal relationships among US and Southeast Asian officers. These are further enhanced in US-based IMET programmes. To date, China engages in few exercises with Southeast Asian armed forces; PLA programmes for Southeast

Asian officers, though underway, are still quite limited. These may well increase, however, over time.

In sum, America's Southeast Asia profile reveals a robust military/security presence that is welcome by all, especially with respect to sea-lane protection and assistance in counter-terrorism law enforcement as well as military modernisation. However, unlike China and Japan that have significant aid programmes, the US lacks an overall strategy that coordinates its trade, aid, and investment with larger political goals. The 2007 US-ASEAN Trade and Investment Framework Agreement could be the base for expanding economic relations while bypassing political controversies. Southeast Asia's interest in human security could also be a peg for enhanced US relations; especially given the goodwill generated by US tsunami aid and the US navy's humanitarian medical and civic action ships visits.

Broadening the US agenda could mitigate Southeast Asian views that Washington's attention to the region is exclusively focused on counter-terrorism. Enhanced engagement is essential if the US is to continue to be a major ASEAN partner. The 2008 appointment of Deputy Assistant Secretary of State Scot Marciel as Washington's first ambassador to ASEAN is a step in the right direction. Continuation of the American naval and air presence and robust trade and investment are welcome by the vast majority of Southeast Asian states. It is an important component of the region's hedging strategy toward all "the significant others".

AUSTRALIA-INDONESIA RELATIONS: A NEW PARTNERSHIP FOR A NEW ERA

Stephen Smith

INTRODUCTION

This paper will set out the Australian government's view of the future of the partnership between Indonesia and Australia--a new partnership for a new era. Geography and history placed Australia and Indonesia together as neighbours. Today the two countries are much more than that. Shared values, shared interests, shared challenge, have now seen them become 'inseparable partners', as Prime Minister Rudd said in Jakarta last June.

With a profoundly changed and changing political landscape and our bilateral relationship at an historic high, Australia and Indonesia are now presented with a unique opportunity to broaden and deepen our partnership in a new era. The potential for what we can achieve in the future is vast, but let us reflect for a moment on our shared history.

HISTORICAL BEGINNINGS

In its 63rd anniversary of independence, Indonesia has much to celebrate. Despite enormous diversity Indonesia has come together as a unified, increasingly prosperous and stable nation state.

The Hon. Stephen Smith, MP is Minister for Foreign Affairs of Australia. This is an edited version of his Speech given at a seminar on "Australia-Indonesia Relations – A New Partnership for a New Era" at the Centre for Strategic and International Studies, Jakarta, August 2008.

From the very beginnings of a fledgling, independent Indonesia, Australia understood the significance of this vast archipelago for our own nation's future. Australia recognised the forces sweeping away colonialism after World War II. We were bold enough to act to support the emerging Indonesian Republic.

From the birth of independence, Australia has regarded Indonesia as an essential regional partner. Australia's Minister for External Affairs, Herbert Evatt, noted to Prime Minister Chifley in late 1945 that Australia hoped:

"to see the beginning in South Eastern Asia and Indonesia of a co-operative group of self reliant states linked with other States of the world by ties of trade, legitimate investments and political co-operation and Mutual Aid."

In 1947, Australia joined forces with a newly independent India to bring the conflict between the Indonesian Republic and the Netherlands before the United Nations Security Council. Australia did this against the wishes of the United States, the United Kingdom, and the Netherlands.

Indonesia then nominated Australia to represent its interests on the 1947 Committee of Good Offices established by the Security Council. Australia did that diligently and robustly. That same year, Australia, as a member of the UN Security Council, took part in the UN Consular Commission to Indonesia.

THE CHANGING LANDSCAPE

The policymakers of the 1940s would not recognise the Indonesia today. We have come a long way since then, including through periods in which we did not always see eye to eye.

In the last decade, a new Indonesian polity has emerged out of a series of significant shocks: the Asian financial crisis; the transition to democracy; and the tragic human cost of terror attacks and natural disaster. Indonesia is now the world's third largest democracy after India and the US. An active parliament and an emerging civil society

are both increasingly influential political voices in a fundamentally pluralistic society with an underlying ethnic and religious diversity.

We look at Indonesia and see a vibrant media at the forefront of a vigorous public debate. Economic growth, which now exceeds six percent annually, has in recent years delivered broad improvements in living standards. Indonesia is now a nation increasingly engaged and influential in our region and on the global stage.

Australia's relationship with Indonesia is at an historic high. The Australian government inherited from its predecessor a bilateral relationship with Indonesia that was in very good shape. Since taking office we have taken that bilateral relationship to a new level of cooperation. There is much to build on across a broad range of areas, including security cooperation, education links, trade and investment, and development assistance.

SECURITY COOPERATION AND REGIONAL DISASTER RESPONSE

Australia and Indonesia can both be proud of what their cooperation has achieved in overcoming transnational threats such as terrorism, people-smuggling and illegal fishing. Indonesia has arrested over 440 individuals and successfully prosecuted over 200 for terrorism-related crimes, an unprecedented success by global standards that has dealt a significant blow to regional terrorist networks. Police have captured key people smugglers and disrupted organised criminal networks that profit from the illicit movement of people across national borders.

The Bali Process Ministerial Meeting will be held in 2009 to further strengthen the regional efforts to combat people smuggling. Joint operations and better coordination have also seen a marked decline in the number of vessels apprehended for illegal fishing in the past year.

The Lombok Treaty that was signed into force in Perth in February 2008, an historically significant development in our relationship, is facilitating future growth in bilateral security cooperation. The Lombok Treaty establishes the modern framework for cooperation

between Australia and Indonesia in defence, law enforcement, counter-terrorism, maritime security and disaster response. The Treaty makes clear that each country respects and supports the sovereignty, territorial integrity, national unity and political independence of the other. We intend to make very good use of the Lombok Treaty to further strengthen our cooperation.

The 2004 tsunami, the destruction caused by Cyclone Nargis in Burma, and the recent Sichuan earthquake, demonstrated how badly our region needs stronger disaster response and preparedness, coordination mechanisms and effective disaster warning systems. Following the 2004 tsunami, together Australia and Indonesia set up the Indian Ocean tsunami warning system in 2005. Prime Minister Rudd and President Yudhoyono at this year's APEC Leaders' Meeting in Peru will present a joint proposal to strengthen regional disaster response work, including Indonesia's idea of a regional centre for disaster management, which Australia is keen to support.

VALUES THAT UNDERPIN OUR RELATIONS: GLOBAL AND REGIONAL PARTNERS

Indonesia has emerged from a difficult, decade-long political and economic transition. As it includes in its focus not only meeting domestic challenges, but looking to the wider region and the world, Indonesia is growing in international influence. That is a trend Australia is very much welcomes. Ours is no longer a relationship between a donor and a country in difficulty, but a partnership of great potential between two robust democracies which goes beyond the bilateral to the regional and the international. We both believe in the vital role that regional and multilateral initiatives play in issues like climate change.

The Climate Change Conference in Bali, where Australia ratified the Kyoto Protocol. Australia and Indonesia worked hard together behind the scenes in Bali to ensure a positive outcome for the world. That partnership on climate change and the environment continues to evolve and prosper.

President Yudhoyono and Prime Minister Rudd agreed in June to start work on a plan to link forest carbon and global carbon markets. This important initiative will help persuade people who might normally wish to cut down forests for economic gain to preserve them instead. To value the carbon stored in rainforests, we need first to be able to measure the carbon. This is something we can lead the world in.

Our common goal is to have avoided deforestation recognised in future climate change agreements. Cooperation of this kind sets the tone for our increasingly close cooperation on regional and global issues of concern. Our ability to work together to pursue common interests on issues like climate change is far more than mere symbolism. It is based on our growing recognition that our combined influence in regional and global affairs is far greater than efforts to pursue outcomes independently.

In other areas too a new partnership between Australia and Indonesia continues to prosper. Our shared participation in the interfaith dialogue is symptomatic of our mutual respect. It is a practical illustration of how differences in religious belief are no barriers to working together as friends.

Australia supports the recent Indonesian initiative to convene the Bali democracy Forum, which Prime Minister Rudd will co-host with President Yudhoyono. A decade ago, of course, we would not have been working together to strengthen democratic processes and institutions in our region. Twelve months ago, Indonesia and Australia would not have been working together on climate change.

One of the consequences of a close relationship that embraces the many areas mentioned is that there are occasionally differences of opinion. It is how we manage these differences that counts. It is knowing that the fundamentals of the relationship are more than strong enough to absorb and withstand any such differences. In addition to that we can take this already strong relationship much further. There is much more that can be done, in trade, security, education, and people-to-people ties.

A conclusion to current negotiations on a comprehensive free trade agreement Australia, New Zealand and ASEAN is expected to be made soon. In the lead up to the target date of concluding negotiations at the ASEAN Economic Ministers—Closer Economic Relations Ministerial in Singapore on 28 August 2008, Australia is involved in intensive bilateral negotiations with key ASEAN countries to finalise tariff and services schedules.

Indonesia is a key player in this process. We are looking to Indonesia to make a stronger contribution to a commercially meaningful package of mutual benefit. It is my hope that the feasibility study into a bilateral free trade agreement between Australia and Indonesia will show that both sides stand to gain if we open up our economics more to each other. Total two-way bilateral trade in 2007 was \$ 10.3 billion and investment \$ 3.8 billion. But there is significant room for growth in our economic partnership if we do more to remove barriers to trade.

Enhancing investment should be a focus. Australian business welcomes the recent comments in Melbourne by Indonesia's Coordinating Minister for Economic Affairs, Dr. Sri Mulyani Indrawati, that the government would seek to encourage regional governments across Indonesia to remove the regulatory and other impediments faced by foreign mining companies.

INDONESIA'S DEVELOPMENT CHALLENGES

Indonesia's development challenges remain acute. Almost half of the population of 225 million live on less than \$2 per day. The challenge of building the nation's infrastructure is immense. In all challenges, Indonesia can count on Australia to work with it as a friend and as a partner.

The decision by former Prime Minister John Howard in late 2004 to contribute A\$ 1 billion for the post tsunami reconstruction package was a significant modern starting point. While our development partnership with Indonesia initially grew sharply as a result of our post-tsunami assistance, it has not only been maintained but expanded since.

Over the next five years, Australia will provide up to A\$ 2.5 billion to assist Indonesia in tackling poverty and in achieving its social and economic development priorities. The Australia Indonesia Partnership has grown to nearly half a billion dollars this year and is Australia's largest development assistance programme. We provide more grants than any other donor. We are committed to working in partnership with Indonesia to meet the Millennium Development Goals and help create a better life for the poorest in Indonesia.

One of the flagship projects of our partnership is the A\$ 300 million plus programme to improve hundreds of kilometres of national roads and bridges in ten provinces across eastern Indonesia. Tenders would be issued this month kicking off the construction process. As a result, farmers will enjoy better access to markets. Communities will have better access to schools and clinics.

We have a wide range of advisers working in government agencies and assisting their Indonesian colleagues in the essential task of structural reform. These reforms are critical in attracting further capital investment to achieve the levels of growth required to make enduring inroads into poverty.

The cooperative work we are doing in education is of fundamental importance, not just to support Indonesia's development but to ensure future generations of Australians and Indonesians know and understand each other better. A key element of this cooperation is education.

The Australian government awards 300 development scholarships to Indonesian students each year. This programme is designed to do more than simply help them enhance their qualifications. Scholarships like these are an investment in the relationship between the Australian and Indonesian people. These Indonesian alumni of Australian universities make a substantial contribution to Indonesia on their return and from Australia's perspective they become our Ambassadors for life.

A junior high school in South Sulawesi has been opened in which the opening has marked the halfway mark of an ambitious project,

under the Australia-Indonesia Partnership, to build or expand 2000 high schools across 20 provinces by the end of 2009.

Australia is funding this programme to help Indonesia fulfil its vision that all young Indonesians will have nine years of basic education. Our construction alone will create some 330,000 new places in junior high schools, including in some of Indonesia's poorest and remote areas.

Australia is also funding training for teachers. We are strengthening our education partnership through a new programme to bring together Australian schools and Indonesian schools, classroom to classroom, to help young Australians speak Indonesian. Indonesian teachers will visit Australian schools, and teachers and students in both our countries will communicate over the internet. This new school twinning programme complements our programme of over \$ 60 million to boost the study of Asian language in Australia.

There are currently around 15,000 Indonesians studying in Australia. Australia remains the most popular destination for Indonesian students, attracting one-third of those who choose to study overseas. Enhanced people-to-people links will help ensure that Australians are better placed to see Indonesia through new eyes, and vice versa.

Last week we agreed on a Work and Holiday Visa arrangement to allow young Indonesians and Australians to experience each other's country through travel, work and study for up to 12 months. This initiative will further deepen the already substantial people-to-people links between both countries through enhanced cultural experiences for our future leaders. We need not only greater exchange between our academics, but also greater numbers of young Australians studying Indonesian and studying about Indonesia.

The Australian government-funded programme¹ for accredited courses at universities in Central and East Java is slowly producing a small but expert pool of next generation Australian Indonesia specialist. So far, it has taken on fewer than 100 Australian students

1 Australian Consortium of in-country Indonesian Studies (ACICIS)

per year. We would like to see it expand to include more universities in eastern Indonesia and more fields of study.

CONCLUSIONS

This paper has described not only about shared values, but about practical examples of shared endeavour and achievement. This aims to give a sense of the opportunities that exist for Australia and Indonesia to work together for our mutual benefit. They are very diverse. They include collaboration on international security and transnational issues; on climate change; on promoting better governance in our region; and simply deepening the all-important ties between our young people and teachers.

As Indonesia's democracy consolidates further, as economic strengths are realised through economic reform, and as Indonesia's voice in regional international affairs becomes even stronger, Australia has seen a genuine partnership with a neighbour and friend—a partnership that continues to expand into new areas and helps underpin the security and prosperity of both our nations.

CLIMATE CHANGE AND INDONESIA: IN HONOUR OF PANGLAYKIM

Ross Garnaut

INTRODUCTION

Panglaykim—Pang as we knew him at The Australian National University—joined the University's staff in a research position when I was a student. He was an important early member of The Australian National University's Indonesia project. He helped to build the Bulletin of Indonesian Economic Studies in its early years, and contributed substantially to several early Surveys of Recent Developments. He was the founder of the productive relationship between the economists at the ANU and at CSIS. The links that he pioneered between ANU and CSIS have played a vital role in building the strong interaction between economists in Indonesia and Australia that have been of such great value to us both. One other lasting legacy of Pang's three years at ANU is the Canberra education of his children, and the ANU graduate degree of his daughter Mari, which led to our close collaboration with one of Southeast Asia's finest economists.

My topic today would have been unfamiliar to Pang, as it was to me and to almost all other economists during his lifetime. I can think of only one substantial exception in the world. The exception,

Ross Garnaut is Professor of Economics at the Australian National University, Canberra. On 30 April 2007 the State and Territory Governments of Australia appointed Professor Garnaut to examine the claimed impacts of climate change on the Australian economy, and recommend medium to long-term policies and policy frameworks to improve the prospects for sustainable prosperity. The Garnaut Climate Change Review was handed down 30 September 2008. This is an edited version of his lecture delivered at the Panglaykim Memorial Lecture, Centre for Strategic and International Studies, Jakarta, October 2008.

Kenneth Arrow, had worked as a physical scientist specialising in climate before joining our profession, so the rest of us need not feel too bad at the comparison.

This paper is going to talk about climate change and Indonesia. But we can't ever sensibly talk about climate change only in one country. The impacts of climate change know no boundaries. Neither do contributions to the mitigation of climate change. The only solutions are global, with participation from all substantial economies. Any failure to find and to apply effective global solutions will hurt some countries earlier and more than others. But in the end it will affect all countries.

While there are large uncertainties about the detail, the overwhelming weight of relevant global scientific opinion says that human-induced climate change is happening, built around a pace and extent of warming that has no precedent since human civilisation emerged about 10,000 years ago (Chapters 2 and 4 of the Garnaut Climate Change Review); it is caused by rapid growth in the concentrations of carbon dioxide and other greenhouse gases in the atmosphere, principally from the combustion of fossil fuels, but with large contributions also from changes in patterns of land use, especially deforestation.

The concentrations are growing particularly rapidly in the early twenty first century because the beneficent processes of modern economic growth have moved powerfully into the world's most populous countries, China and India, and other developing countries (Chapter 3); and without strong measures to reduce global emissions, the costs of climate change will accelerate rapidly from a few decades hence, and continue to increase with large and potentially catastrophic economic as well as environmental effects.

I presented my Australian Climate Change Review to the Prime Minister and all of the State Premiers in Australia on 30 September, a couple of weeks ago. That was the day following the largest points fall ever in the Dow Jones index of stocks on the New York Stock Exchange. The financial crisis is a timely reminder of how closely we are joined across the world today, as societies and economies. The

problems of some of us quickly become the problems of all of us. That is the way it will be with climate change.

CLIMATE CHANGE AS A GLOBAL POLICY PROBLEM

I describe it as a diabolical policy problem, because of its complexity; because of the miss-match of time frames between the costs of mitigation (which come early) and the benefits (which come much later); and because of the prisoners' dilemma inhibiting international cooperation on mitigation (with each country having an incentive to do as little as possible on mitigation, if it thinks its own actions will not affect the policy decisions of others).

The prisoners' dilemma intrudes in a way that is not present in trade policy, for example. In trade policy, while each country pretends that it is reluctant to reduce import barriers when it is negotiating with others, the economic reality is that each country benefits from its own liberalisation, whatever other countries do. So if the trade negotiations fail, countries may and often do unilaterally reduce their protection.

By contrast, with climate change, strong mitigation by one country alone—Australia, Indonesia and any but the two biggest economies—will have negligible effects on the cost of climate change to that country except to the potentially significant extent that our actions affect the policies of others.

The resolution of the prisoners' dilemma requires close communication and the development of potential agreements that share the benefits of cooperation in ways that are acceptable to all countries whose participation is essential to a global solution (Chapters 8, 9 and 10 of the Garnaut Climate Change Review explore the contents of a possible global agreement). But while an effective response to climate change must be global, it must be built from the national contributions of sovereign countries, acting alone, or together with others. Indonesia and Australia individually and together can contribute much to the global effort and to the success of climate change policies of developing countries in the Western Pacific region which we share.

Australia and Indonesia share vulnerability to climate change with all countries on earth. We are both highly vulnerable. Australia is vulnerable first of all because it is already a hot and dry country that stands to lose disproportionately from any additional warming or drying.

Indonesia is vulnerable because the tropical regions are projected by the science to experience greater negative impacts on agriculture than any but a few developed countries. Reefs and fisheries will experience severe effects. People already living in tropical regions, near the upper limits of the range of temperatures in which humans make their lives, will find it harder to adapt to even higher temperatures. The rise in sea levels, which is a signature impact of climate change, will have especially damaging effects on low-lying cities, including these great cities of Jakarta and Surabaya, and is likely to displace large numbers of people from coastal and river in rural communities all over the archipelago, including from the vast lowlands of Papua.

One of the largest points of vulnerability to unmitigated climate change for Australia and Indonesia is shared with each other. Australia and Indonesia share the Asian and western Pacific regions with other vulnerable countries.

Some of our neighbours in Asia and the western Pacific are populous countries with vast communities inhabiting river deltas that would be damaged disproportionately by rising sea levels. On the mainland of Asia, many of our populous neighbours depend in important ways on the steady flows in the great rivers that have their origins in the Himalayas and Tibetan Plateau—the Yangtse, Yellow, Mekong, Ganges, Brahmaputra and Indus Rivers and others. This steady river flow has nurtured human civilisation since the cradle. It is threatened by climate change.

Developing countries will find adaptation to climate change especially difficult. With unmitigated climate change, Australia and Indonesia will have great problems of our own. In addition, the problems of developing countries in our region would become our problems.

I should mention one other way in which Australia and Indonesia share exceptional vulnerability. Both of us, but especially Australia, have export structures that cause slower growth in the global economy to damage our terms of trade. In this, we are unlike nearly all developed and many high-income developing countries. Unmitigated climate change would cause slower growth in economic activity through the second half of the twenty first century, increasingly with each passing decade. We would both be hurt more than the average for countries by deterioration of our terms of trade.

THE NEED FOR GLOBAL MITIGATION EFFORT

The Garnaut Climate Change Review discusses how one country can go about assessing its interest in and proportionate contribution to international cooperation on climate change. It places one country's national effort to reduce emissions of greenhouse gases in a global context. It is focussed on one country, Australia, but seeks to provide a framework for national policy analysis in any country. Its focus on policy decision-making at a national level but in a global context is different from other large studies of the global warming policy choices, such as Nordhaus (1998, 2008), Cline (2004) and Stern (2007), which have analysed the costs and benefits of mitigation from a global perspective.

The first requirement of effective global mitigation is an international agreement on the concentrations of greenhouse gases in the atmosphere that represents the right balance between the costs of mitigation, and the risks of dangerous climate change. Discussion of the right level of global mitigation ambition has so far taken place mainly in the developed countries, although on average developing countries have an even greater interest in how this matter is resolved.

The G8 meeting of heads of government in Toyako, Japan, in July 2008, agreed that global emissions should be reduced by 50% by 2050. This can be seen as being broadly consistent with the longstanding European Union objective, to contain the change in global temperature from pre-industrial levels to a 2 degree Celsius increase. It is also consistent with the view formed by the Garnaut Review, that it is in

Australia's interest to play its full proportionate part in a global effort to stabilise global concentrations of greenhouse gases at or below 450 parts per million of carbon dioxide equivalent.

Since it is universally accepted that developed countries will have to accept much larger proportionate reductions in emissions than developing countries, the achievement of the G8 or European objectives would require reductions to much less than half existing levels for developed countries. It is widely accepted that most developing countries will need to be allowed to increase emissions in absolute terms for some time. To avoid high risks of dangerous climate change, it will nevertheless be essential for developing countries to reduce their growth of emissions below business as usual levels from an early date.

The objectives of holding the temperature increase to two degrees, or the greenhouse gas concentrations to 450ppm, or to reduce emissions by half by 2050, make excellent sense from the points of view of Australia, Indonesia, our neighbours in the western Pacific, and the international community. Analysis, including that presented in my report, shows that this can be reached at significant but manageable cost for each of us.

There are several reasons why costs can be expected to be generally lower for developing than for most developed countries. It is less costly to transform new than established investment. Many developing countries including Indonesia have exceptional opportunities for low-cost bio-sequestration, including through a diminished rate of destruction of established forests.

To realise the G8, European and Australian objectives, it will be necessary for governments of all major economies to agree on the allocation amongst countries of emissions entitlements that add up to totals that are consistent with the agreed environmental objective. This requires the articulation of principles for allocation that are widely seen as being fair and practical. My Review came to the view that to be fair, the allocations must converge sooner or later from current highly differentiated per capita emissions levels, towards equal per capita entitlements. To be practical, they would have to allow some

additional headroom for fast-growing developing countries, and to allow time for high-emitting countries—principally Australia, Canada and the United States—to adjust gradually to demanding end points. The Review suggests for international discussion a set of allocations that adds up to a global solution that is based on convergence to equal emissions entitlements in 2050.

For Australia, playing our full, proportionate part in a global effort to stabilise greenhouse gas concentrations at or below 450ppm would require us to reduce emissions from 2000 levels by 25% by 2020, and by 90% by 2050. Playing our full proportionate part in a global effort to stabilise concentrations at 550 ppm would require us to reduce emissions by 10% by 2020 and by 80% by 2050.

The world is a long way from an effective global agreement to reach the more ambitious of these goals—the 450 objective that is supported by the European Union, and the G8, and which my Review says would be in Australia's national interest. The Review notes that current discussions in many countries about ambitious global mitigation objectives bear no relationship to what is required in emissions reduction efforts in individual countries.

The Review's work on "business as usual" emissions, reported in Chapter 3, notes that past analysis of the prospects for global warming, in the IPCC and Stern Review, greatly underestimates the future growth of emissions from Asian developing countries. Past analysis underestimates Chinese, Indian, Indonesian and other developing countries' likely rates of economic growth, the energy intensity of that growth, and the emissions intensity of energy use. It therefore misses the urgency of including China and other developing country in a regime designed to constrain the growth of global emissions below "business as usual" levels.

An immense effort in international cooperation is required over the year ahead, leading up to the United Nations conference scheduled for Copenhagen in December 2009, to bridge the gulf between general objectives and national commitments. In this context, it is crucial that national commitments are backed realistically by policies to implement them, that add up to desired global objectives.

One big gap between the reductions in emissions that are required to reduce emissions to acceptable levels, and the current official international discussion, is the premise that developing countries will not accept binding constraints on emissions for the foreseeable future. Unfortunately, the arithmetic of global mitigation does not add up without substantial reductions in developing country emissions below business as usual.

My Review has placed large effort into the development of proposals that have a chance of being acceptable to developing countries within a global agreement. The proposals cover cooperation on the development of public investment in new, low-emissions technologies and adaptation to climate change, as well as the allocation of entitlements to emit greenhouse gases amongst countries.

On research, development and commercialisation of new technologies, and adaptation, high-income countries, with per capita incomes exceeding US\$11,000 per annum, would take on special global responsibilities. Developing countries which participate in and accept mitigation responsibilities under a global agreement would be beneficiaries of transfers under the international technology and adaptation commitments.

On sharing the entitlements to a limited amount of global emissions, it is proposed that most developing countries, including Indonesia, accept "one-sided agreements" to hold emissions to trajectories defined by the modified contraction and convergence formula. There would be no penalty if the trajectory was breached. But if a developing country held its emissions below the defined trajectory, it would be able to sell surplus entitlements on the international market. This, together with the technology and adaptation commitments which would only be available to developing countries that participated in the global mitigation effort, would provide incentives for developing countries voluntarily to constrain emissions below the defined trajectories.

The formula developed for discussion in the Review, based on what has become known in the literature as Contraction and Convergence but with modification to allow additional headroom for rapidly growing developing countries. They would allow growth

in total (including deforestation) Indonesian emissions from current (2005) levels by 16% by 2020 and would require reduction by 28% by 2050 under proposals to stabilise global greenhouse gas concentrations at 450ppm. They would allow increases from current levels by 17% by 2020 and 25% by 2050 under proposals to stabilise global greenhouse gas concentrations at 550ppm.

CONTRIBUTION TO GLOBAL MITIGATION EFFORTS

Australia and Indonesia each has special contributions to make to a global mitigation effort. The Indonesian Government's focussed and effective hosting of the Bali conference in December 2007, and the Australian Government's signing of the Kyoto Protocol at Bali, demonstrated that each of us now has a government that is committed to the containment of global warming. This is the necessary starting point for effective contributions to global solutions.

Indonesia occupies a large place in the world's greenhouse gas emissions story. While there is uncertainty about precise levels of emissions from forestry, the best estimates suggest that these are large on a global scale, and that Indonesia may be the world's third largest emitter of greenhouse gases in absolute terms. Indonesia has taken important steps to measure and to monitor emissions, as a first step towards constraining emissions from forestry.

There are opportunities for large reductions in emissions from forestry at relatively low cost. The global community and Indonesia both have strong interests in introducing incentives for greenhouse gas abatement to take place at low cost in Indonesia rather than at higher cost elsewhere. The opportunities for low-cost abatement cover afforestation and reafforestation as well as avoided deforestation. Working with developed countries to introduce these incentives could be a special Indonesian contribution to the global mitigation effort.

At the same time, Indonesia has rich opportunities for generating low-emissions power at relatively low cost. Indonesia contains a significant proportion of unutilised capacity for hydroelectric and conventional geo-thermal power generation. The development of appropriate incentive structures for making good use of this capacity,

making use of gains from international sales of carbon credits, would be highly beneficial for Indonesian development and helpful to the development of an effective global emissions regime covering developing as well as developed countries.

Palm oil is a relatively efficient means of producing feedstock for bio-fuels, and Indonesia is at once a relatively low-cost producer and the largest and fastest growing producer of palm oil. The use of agricultural land for bio-fuels has rightly become controversial, since distorted incentive policies in the United States and Europe encouraged reduction of food plantings and contributed to high global food prices in 2007 and early 2008.

The clearing of land for palm oil is controversial, as there are costs as well as benefits to greenhouse gas abatement in the conversion of land use. There are also other environmental issues to take into account. Indonesia could make a major contribution to the development of global policy in this important area by developing rigorous approaches to analysing optimal land use, and also effective policies to secure optimal patterns of land use taking environmental as well as economic values into account.

Australia, relative to population, is the world's leading economy for innovation in the resources industries and in the biological sciences, and especially in applied science related to innovative land use. It can be expected that Australia and Australian enterprises will play a disproportionately large role in research, development and commercialisation of innovative technologies related to geosequestration and biosequestration, and more generally in the low-emissions energy industries.

Both Australia and Indonesia have large, cooperative and productive relations with developing countries in the western pacific region. This gives us both special capacities in the development of mechanisms for encouraging developing country participation in an effective global mitigation effort, and also in the shaping of mechanisms for assistance to developing countries in adaptation to climate change.

COOPERATION IN EMISSION REDUCTION

The shared interests and special capacities in relation to climate change of Australia and Indonesia, and our demonstrated ability to work productively together--bilaterally, within the Asia Pacific region, and globally--create some special opportunities for cooperation.

First of all, there is an opportunity to cooperate with each other and with other countries in our region in defining an effective global mitigation regime. This would have three elements. First, we could work together in developing a set of principles for allocating the global mitigation effort across countries that had good prospects of being seen as fair and practical. The fact that one of us is a developed and one a developing country, both with relatively high per capita emissions, is an advantage in defining a regime that needs to have wide appeal.

Second, our respective interests in applying technological innovation create an opportunity for us to contribute together to development of a model for cooperation between developed and developing countries in new, low-emissions technologies, applicable to the biological as well as to the engineering sciences. Chapter 10 of my Review suggests that there should be a global Low-Emissions Technology Commitment, directed at lifting levels of public support in developed countries for research, development and commercialisation of low-emissions technologies. Here the opportunities would be greater if we were both working within a wider western Pacific group of countries including Japan. We could lead the way in the international community by each establishing at an early date the domestic policies and institutions for meeting the commitments ourselves.

Third, we have a large bilateral development assistance relationship. This provides opportunities for us to play leading roles in the integration of climate change adaptation objectives into development cooperation regimes in our region.

There are considerable opportunities for cooperation on mitigation, based on large but different opportunities for abatement. On a global scale, Indonesia seems to have exceptionally large, low-cost

opportunities for reducing emissions, starting with but not confined to the land use sector. Indonesia would tend naturally towards sales of entitlements within a global emissions trading regime, in which emissions entitlements were allocated equitably amongst countries.

Australia tends naturally to relatively high per capita emissions. It has comparative advantage in a range of emissions-intensive industries, and would probably continue to do so in a global regime in which emissions entitlements were allocated equitably and traded between countries.

Australia and Indonesia are therefore highly complementary in emissions profiles. If each were committed to constraining emissions—Australia to absolute reductions and Indonesia to reductions below business as usual, as would be required within a global regime—with opportunities to trade emissions entitlements, Australia would tend to be a large net buyer of permits and Indonesia a large net seller. Trade would occur most efficiently on a global scale, but would add considerable value on a bilateral or regional basis, so long as the trade was based on principles that had good prospects for generalisation into a global regime. Reductions in emissions could become a major export industry for Indonesia. The purchase of permits could reduce the costs of Australia living within specified emissions constraints.

These opportunities lead into the possibility that Australia and Indonesia together could work with other countries in our region, to provide an exemplary model for cooperation on climate change mitigation between developed and developing countries. The agreement could be fully consistent with carefully defined proposals for the shape of a global mitigation regime, but move faster than the international community was yet prepared to go on a global basis.

The regional arrangement could encompass national emissions reductions trajectories that are consistent with global mitigation objectives and, together with technology and adaptation commitments would be calibrated to be attractive to developing countries in the region. It would provide for technical assistance to developing countries in measuring emissions and in developing policies and institutions to reduce emissions. The technical assistance would

therefore help Indonesia and other developing countries in our region to utilise opportunities to benefit from sale of permits when they were able to reduce actual emissions below entitlements.

Trade in permits would allow Australia and also Japan and New Zealand to reduce the cost of meeting demanding trajectories for reduction of emissions entitlements by drawing on lower-cost mitigation opportunities in developing countries. The sale of permits could become a major economic opportunity for some developing countries, including those, like Indonesia and Papua New Guinea, that currently have high emissions from deforestation.

The logical first partners in such a regional mitigation agreement would include New Zealand, itself in an advanced stage of developing an emissions trading scheme. They would include Indonesia's ASEAN partners. Papua New Guinea and other member countries of the South Pacific Forum would be natural candidates for early membership. There would be no need to place arbitrary limits on membership if others saw advantages in joining, because all of the rules would be designed to be fully consistent with an emerging global mitigation regime. (See Box 14.4, Chapter 14 of my Report).

A western Pacific regional climate change agreement would be a good testing ground for prototypes of a global Low Emissions Technology Commitment and policies for adaptation assistance for developing countries.

WHAT DIFFERENCE DOES THE FINANCIAL CRISIS MAKE?

In October 2008, one question is on everyone's mind when we think about the implementation of global warming mitigation policies. What difference does the unprecedented financial crisis of September and October 2008 make?

Will the financial crisis make mitigation genuinely less urgent, by slowing global growth in economic activity and therefore energy use and emissions? Will it reduce commitment or capacity to sustain economic costs to reduce emissions? In particular, will it reduce the chances of strong mitigation in major countries, first of all the United States?

It is a theme of my report that a decision to reduce emissions in the interests of reducing the risks of dangerous climate change is not a decision to favour the environment over the economy. Certainly unmitigated climate change is likely to have large environmental costs. But it would also have large economic costs. The policy challenges of mitigation derive partly from the reality that the costs come early and the gains, including the gains from reduced costs of climate change, come later.

So the economic policy choice is not between economic costs and environmental benefits. It is between short-term economic costs and long-term economic benefits, the latter potentially of much larger dimension (see the framework for policy decision-making in Chapter 1 and applied in Chapters 11 and 12). In this context it is worth keeping in mind that the financial crisis itself can be understood as a consequence of favouring the short term over the long term in private and public decisions affecting the economy.

The acceleration of economic growth in China and other major developing countries that has made early and strong mitigation more urgent has deep foundations. It is unlikely to be permanently knocked off course by the financial crisis. Of course, it is still possible that the recessionary effects of financial crisis could interact with weaknesses in social and economic institutions to generate much more severe consequences for growth. Failing those still avoidable outcomes, the "business as usual" trajectory of emissions growth beyond this year and next is likely to much the same as anticipated in my Review. A pause for a year or two in rapid emissions growth as a result of widespread recession in developed countries and temporarily lower growth in others would provide no more than a little breathing space—which may turn out to have been necessary for attainment of anything like announced mitigation objectives given the points from which we are starting in late 2008.

Financial crises, however severe, are short term phenomena. The current crisis, whatever costs it comes to impose on the growth in living standards in many countries, will have run its course before leaders meet in Copenhagen late in 2009 to seek agreement on

successor arrangements to those agreed for 2008-2012 in Kyoto in 1997. The crisis will have left a legacy of reduced wealth, incomes and possibly growth prospects, the extent of which will depend on the effectiveness of policy decisions that are still under consideration. But the financial crisis itself will have passed into history.

By contrast, climate change is a long term structural issue. It is bad policy to allow the approach to important long term structural issues to be determined by short term cyclical considerations. Moreover, if the financial crisis leaves a legacy of recession, it is to be expected that normal patterns of growth will have been re-established by 2013, at the time at which arrangements agreed at Copenhagen are being applied. The period of accelerated growth out of recession, would turn out to be a favourable time to implement policies involving major investment in new technologies, involving considerable structural change.

So the financial crisis does not materially reduce the magnitude or urgency of the mitigation task. Nor does it create a sound reason for delaying mitigation. There is, however, another question from the financial crisis: Whatever the economic realities, will the post-crisis political environment cause the priority of the mitigation challenge to be downgraded, and therefore delay progress in national policies and international agreement? It may. That will depend on the quality of leadership in many countries. The quality of leadership in Australia and Indonesia will not be irrelevant to the global outcome.

There is no doubt that the period ahead in Australia will be difficult for incomes, and that this will affect willingness to forego some current income for long-term gain, as is required for climate change mitigation. In Australia, the fall in global economic activity associated with the financial crisis will be responsible for a sharp fall in the terms of trade—as it will in Indonesia although in lesser degree. The boom in commodity prices associated with exceptional global economic growth in the early twenty first century up to the third quarter of this year lifted Australia's terms of trade by two thirds. This raised average Australian incomes by an eighth, and greatly increased revenues of Australian Federal and State Governments.

The Garnaut-Treasury modelling anticipated that a major part of this improvement in the terms of trade would unwind over a number of years, as global supplies of resource-intensive products rose in response to high prices and profitability. This would cause average annual growth in GDP to 2020 to be substantially above growth in GNP (Chapters 11, 12 and 23). The cost to Australian incomes of the fall in the terms of trade from the high levels of mid-2008, to above the average historical levels in a decade's time, was projected to be substantially above the costs of the most ambitious greenhouse gas mitigation trajectories analysed by the Review.

It now looks likely that the return of Australia's terms of trade to levels that, while historically high, are much lower than mid-2008 levels, will now be compressed into a relatively short period. Much of the fall in the terms of trade from the giddy heights of the third quarter of 2008 will now occur over the next year or so.

During this period, Australian incomes and government budgets will be under great pressure even if, as is possible and with good management likely, Australia avoids the recession that will probably engulf most of the developed world. This will make effective Australian participation in the global mitigation effort more dependent than ever on the selection of the most efficient—the lowest cost—mitigation policies and institutions. The Garnaut Review gives close attention to identification of these policies and institutions, around an efficient emissions trading system (Chapter 14).

So climate change mitigation is likely to be more difficult politically in the immediate aftermath of this financial crisis. But it will be neither less important nor less urgent. Without effective global mitigation, climate change will still be here tomorrow. The possibility of effective action to remove great risks to economic as well as environmental values may not.

Review of Political Development

VOTING BEHAVIOUR AND THE 2009 ELECTION

Sunny Tanuwidjaja

As the Indonesian 2009 election approaches, one of the pivotal questions is how the people will vote and what factors will influence their decision. To answer this question Centre for Strategic and International Studies (CSIS) conducted a field survey in May 2008. According to the survey finding, there are socio-demographic factors that affect voting behaviour as well as pattern of voting continuity among the Indonesian voters since the first democratic election after the New Order.

The survey was conducted with 3000 respondents, covering 13 provinces.¹ It employed a combined purposive and random sampling method in selecting the sample. The 13 provinces were selected because they cover 85% of the Indonesian population and there are 76% (425 out of 560) national parliament seats at stake. The goal of limiting the number of provinces and having a large number of respondents² is to be able to make some inferences at the provincial level. In each province we selected the electoral districts that have the

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- 1 The provinces selected are: North Sumatra, West Sumatra, South Sumatra, Lampung, Banten, West Java, Jakarta, Central Java, Yogyakarta, East Java, South Kalimantan, South Sulawesi and East Nusa Tenggara.
 - 2 On average, national surveys in Indonesia are conducted with around 1500 respondents. This is adequate only for national inferences, but not for provincial level inferences.

largest number of seats at stake. Within each electoral district, one municipality (*kotamadya*) and one regency (*kabupaten*) with the largest population were selected in order to have better representation of the rural and urban population. Under each municipality/regency, several *kelurahan* were randomly selected, and under each *kelurahan* 10 families were randomly selected. Finally, within each family one person eligible to vote was randomly selected.

The data collection was done through one-on-one face-to-face interview using questionnaire with a mix of close, semi-open, and open questions. The questions used in the survey were developed based on theories of voting behaviour and with the goal of understanding what factors affect the voters' political choice.

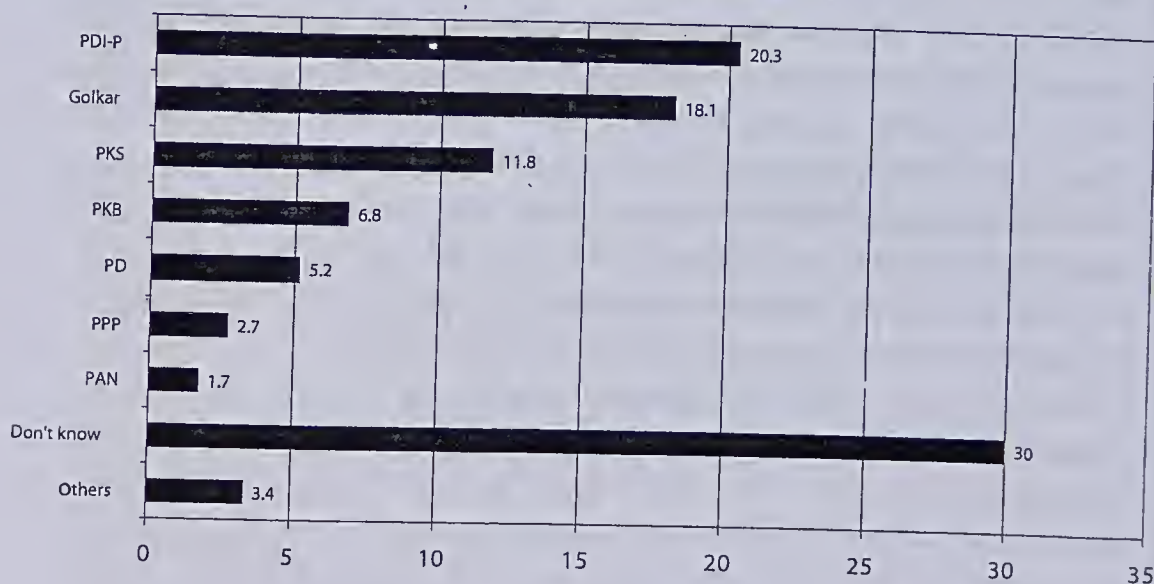
This review discusses several aspects of the surveys. The first section presents the general finding, particularly about the choice of political parties and presidential candidates. Then this review uses available data to test existing theories. The following section discusses the current debate between the rational voter argument and voting continuity argument, attempts to clarify the difference, and tries to bridge the gap between the two. The third section identifies socio-demographic factors that influence party choice. In the second and third sections, we focus on voters from the big parties which we believe will be competitive in the next election, i.e., Indonesian Democratic Party in Struggle (PDI-P), Golongan Karya Party (Golkar), Democrat Party (PD), Prosperous and Justice Party (PKS), and National Awakening Party (PKB). In addition, we also look at the five big parties in the period of 1999 to 2004 i.e.: PDI-P, Golkar, PKB, Unity Development Party (PPP), and National Mandate Party (PAN). The last section provides several scenarios on what the competition in the 2009 election will be like.

GENERAL FINDINGS

There are three general findings from this survey: (1), choice of political parties; (2) choice of presidential candidates; and, (3) issue preference. With regards to political parties (see Figure 1), 70% of the voters have a choice in mind, and PDI-P gains the most support

with 20.3% respondents stated that they will choose PDI-P if election is conducted today. Golkar is the second most popular, followed by PKS, PKB, and PD. An important result that should be noted is there are 30% undecided voters. They are distributed equally in every social group, and 40% of them have the same choice as in the 1999 and 2004 elections. The percentage of undecided voters is parallel to the finding that 35% of the voters plan to make their final decision on the day of the election. In addition to undecided voters, there are two other types of voters we found in our survey. The first type is the consistent voters defined as those who choose the same political parties in successive elections. Another is swing voters defined as those who change their choice of political parties in different elections.

Figure 1 . Distribution of Support for Political Parties in the 2009 Election as of May 2008*



However, this does not mean that short-term force in the form of distribution of materials and physical or verbal intimidation as the election approach have an influence on the voters' decision. First, there is only a small number of voters experienced intimidation or

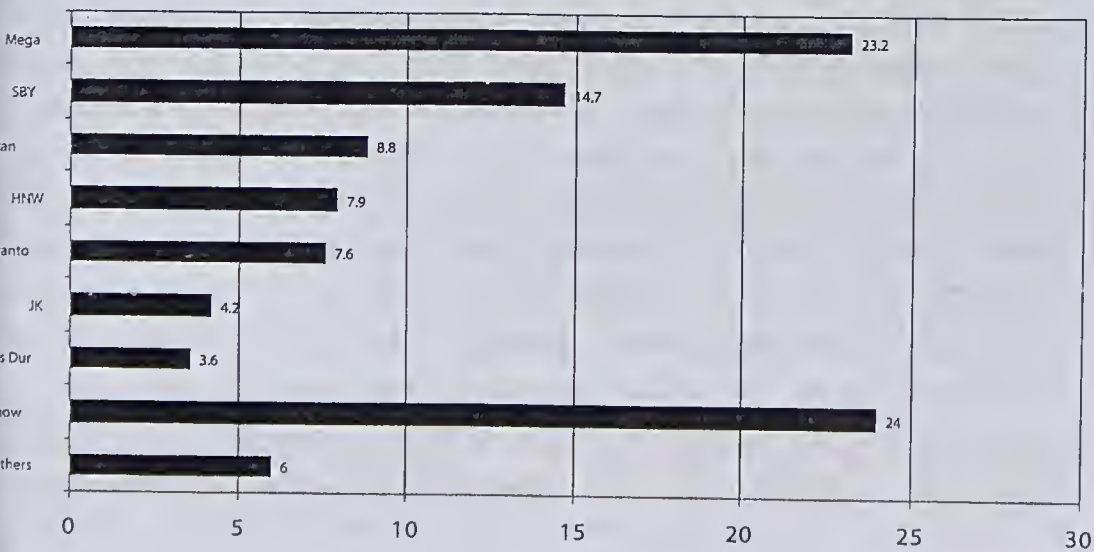
3 *One should note that this survey was released before the KPU officially announced which political parties will compete for the 2009 election.

getting material incentives from political parties in the last election. This seems to be the case because of a tight oversight by the Election Commission (KPU) as well as by other political parties. Second, there are only one fifth of those who receive intimidation or material incentives are going to give their votes to the related political party. This tells us that intimidation or material incentives distributions on the days approaching the election are no longer an effective tools to gain votes. The voters understand that there is no way the political parties can control their votes.

The survey also found that the loyalty of PD's supporters is low. There were only 18.7% of those who voted for PD in 2004 will vote PD again in 2009, and 47.6% of those who voted for PD in 2004 become undecided voters. PKS has the highest level of loyalty, followed by Golkar, PDI-P, and PKB. One reason for this might be because the majority of the PKS supporters voted for PKS due to ideological reason. Another might be because the absolute number of PKS supporters is still low compared to Golkar, and PDI-P. It seems harder to maintain the loyalty of a larger pool of supporters.

Our survey results also show the popularity of the presidential candidates (Figure 2). The trend of decline of Susilo Bambang

Figure 2. Distribution of Support for Presidential Candidates for the 2009 Election as of May 2009



Yudhoyono (SBY) popularity is confirmed in our survey. Despite being the main choice of about 50% of the voters in 2006 based on the survey by Lembaga Survei Indonesia (LSI), our survey shows that his popularity drops to 14.7% in May 2008. His decline can be attributed to voters' dissatisfaction towards his performance in dealing with welfare issues.

The decline of SBY's popularity can help explain why there is a decline in PD's popularity. Megawati was the leading candidate for the presidential election, followed by SBY, Sultan Hamengkubuwono X (HB X), Hidayat Nur Wahid (HNW), and Wiranto. However, the latest surveys done by several pooling institutions show that SBY is back on top, although his popularity is not as strong as in the past years. The rise of SBY is due to several factors. One is the perceived success of his anti-corruption policy. Two is his ability to minimise the negative impact of the global economic crisis, and his populist policies to dampen the effect of fuel price increase. Third is the fact that there is no alternative figure that is perceived by the public to be better than the current incumbents.

Is there any correlation between ones voting for political parties and ones voting for presidential candidates? To answer this question we look at which presidential candidates the voters of each political party choose. Some 82.8% of those who will vote for PDI-P will vote for Megawati as their president, while 76.3% of those who will vote for PD will vote for SBY as their president. This result shows that PDI-P is closely identified with Mega, while PD is closely identified with SBY. Meanwhile for PKS, 52% of their voters will vote for HNW, 14.4% will vote for SBY, and 8% will vote for HB X. This shows that unlike PDI-P and PD, which are identified with certain figures, PKS is less so. However, there is obviously a favourite figure in PKS and the person comes from party internal figure.

Golkar voters are the most diverse in their choice of presidential candidates. 21.5% of Golkar supporters will vote for Wiranto as their presidential candidates, while 20.8% will vote for Jusuf Kalla, 19.3% will vote SBY, 9.5% will vote for HB X, and 9.3% will vote for Megawati. This is the case probably because it is still unclear

yet who the presidential candidates that Golkar will support. In addition, Golkar is the most decentralised and less individualistic political parties. While PDI-P has Megawati, PD has SBY, and PKS has its *Majelis Syuro* (Islamic type of party board which makes final decisions), Golkar has many national figures who are influential both internally and externally like Jusuf Kalla, HB X, Surya Paloh, Akbar Tanjung, and many others.

For the 2009 election, the main issue for the voters will be the one related to welfare. Over 70% of the respondents in the survey said that for them, the main issues will be poverty and price of their daily needs. The CSIS survey confirms that one's perception on the economic situation somewhat will influence individual political choice. The probability of voting for the incumbents (SBY, or Golkar, or PD) among those who have positive perception towards the economy in the past two years is larger than the probability of voting for the opposition (Megawati or PDI-P). However, if one's perception on the economic condition in the past two years is negative, than the probability of voting for the opposition is larger compared to the voting for the incumbents.

VOTING BEHAVIOUR THEORIES

The big question in Indonesian voting behaviour literature is whether the Indonesian voters have become more rational or whether "*politik aliran*" is still very much important in predicting political choice. On the one hand, it is argued that Indonesian voters have become more pragmatic and rational. They decide who they will vote in election based on their assessment about who can and will provide them with the best policies related to their interests.⁴ On the other hand, it is argued that the voting pattern in Indonesia reflects some continuity based on "*politik aliran*". Regions who voted for nationalist political parties will tend to vote for nationalist parties in the future,

⁴ William R. Liddle and Saiful Mujani, "Leadership, Party, and Religion: Explaining Voting Behavior in Indonesia," *Comparative Political Studies* 40, no. 7 (2007): 832-857.

while regions who voted for more religiously conservative political parties will continue to do so in the future.⁵

One gap between the two positions in the debate is the fact the two theories developed at different level of analysis. Liddle uses individual level data and King uses aggregate level data. To bridge this gap, CSIS survey asks the respondents about who did they vote for in 1999 and 2004, and who will they vote for in 2009. To simplify the analysis, we look at five political parties who will be most competitive in the 2009 election, i.e., PDI-P, Golkar, PKS, PKB, and PD and test the two theories. In addition, to look at voting continuity from 1999 to 2004, we select 5 big parties at that period, i.e., PDI-P, Golkar, PKB, PPP, and PAN.

As noted in the previous section, ones perception towards the economic situation somewhat effects ones political choice. Since 2004, PDI-P can be considered as opposition, Golkar and PD are the incumbents, while PKS, although has stated many times they support the government, has failed in several venues to support the government policies. As shown in Table 1, the probability of voting for incumbents (Golkar and PD) is 2.5 times larger than the probability of voting for the opposition (PDI-P) among those who perceive that the economy in the last two years is better. This explains that when individuals perceive that the government is currently doing a satisfactory job, they will more likely to vote for the government again. However, among those who perceive the economy is worst in the last two years, the probability of voting the opposition is 1.2 times higher than the probability of voting for the incumbents.

Table 1. Row Percentages of Party Choice (n=1571)

		Party choice in 2009				
		Golkar	PDIP	PKS	PD	Others
The economy in the last two years	Better	25.6%	14.9%	10.7%	11.9%	36.9%
	Worst	15.1%	23.5%	12.8%	4.4%	44.2%

5 Dwight Y. King, *Half Hearted Reform: Electoral Institutions and the Struggle for Democracy in Indonesia* (Westport: Praeger, 2003)

Similar pattern occurred when respondents were asked about their choice of the presidential candidates. SBY is the incumbent while Megawati is the main opposition. Table 2 shows that that the probability of voting for the incumbent (SBY) is 1.9 times larger than the probability of voting for the opposition (Megawati) among those who perceive that the economy in the last two years is better. This tells us that when individuals perceive that the government is currently doing a satisfactory job, they will more likely to vote for the government again. However, among those who perceive the economy is worst in the last two years, the probability of voting for the opposition is 2.5 times higher than the probability of voting for the incumbent.

Table 2. Row Percentages of Presidential Choice (n=1649)

		Presidential choice in 2009				
		Mega	SBY	Sultan X	HNW	Others
The economy in the last two years	Better	18.0%	34.1%	4.2%	6.0%	37.7%
	Worst	26.2%	10.4%	10.8%	9.4%	43.2%

One problem with this pattern is there are always many more respondents regardless of their party or presidential choice, who perceive the economy to be worst in the last two years. This implies that there are many respondents, despite perceiving the economy to be worst of in the last two years, still decide to choose for the incumbents. This pattern creates doubt about the viability of rational voting behaviour theory. One explanation for this to salvage the rational voting behaviour is the fact that despite the failures of the incumbent, voters still perceive the incumbent to be the best choice that will provide them with the best chance to improve the economy. This is probably because in several latest surveys, SBY popularity is on the rise again despite the continuing public dissatisfaction with his past economic performance and policies.

An alternative explanation is the continuing importance of “politik aliran”. To simplify categorisation of political parties, we adopt two

types of political parties: nationalist/*abangan* (Golkar, PDI-P, PKB, and PD) and religious/conservative/modernist (PKS)⁶, while PAN⁷ and PPP⁸ are in between these categories. The voting patterns from 1999 to 2004 and from 2004 to 2009 show that “*politik aliran*” can provide a strong explanation on the voting behaviour in Indonesia. As shown in Table 3, there is pattern of voting continuity in many political parties. At least half of the voters of a political party in 1999 voted for the same political party again in 2004. In the case when the voters change their party choice, they rarely move across party category. Interestingly, most of the voters of PPP and PAN who changed party choice, tended to choose nationalist/*abangan* instead of a move conservative political party. Table 4 shows a more apparent pattern of voting continuity and “*politik aliran*”. Among those who voted in for PDI-P, Golkar, and PKS in 2004 election, at least half of them will vote for the same party again in 2009. When there is a shift in political choice, most of the time voters will choose political parties in the same category or “*aliran*” with their previous choice.

Table 3. Correlation of Party Choice in the 1999 and the 2004 Election (row percentages)

1999	2004 Choice of political party			
	Same party	Nationalist/ <i>Abangan</i>	Modernist/ Conservative	Others/Didn't vote
PDI-P	50.0%	33.4%	7.2%	3.8%
Golkar	57.4%	42.0%	0.0%	5.3%
PKB	57.1%	25.7%	8.6%	8.6%
PPP	21.7%	40.3%	4.3%	4.3%
PAN	71.4%	28.6%	0.0%	0.0%

6 This typology is a simplified version of Geertz's. See Clifford Geertz, *The Religion of Java* (Glencoe: The Free Press, 1960).

7 In the period between 1999 and 2004 PAN was closely linked to Muhammadiyah, a modernist civil society group. However, PAN also attempted to portray itself as a highly nationalist political party.

8 PPP despite its conservative character is closely linked to Nahdlatul Ulama and PKB, which are considered to be *abangan* in character.

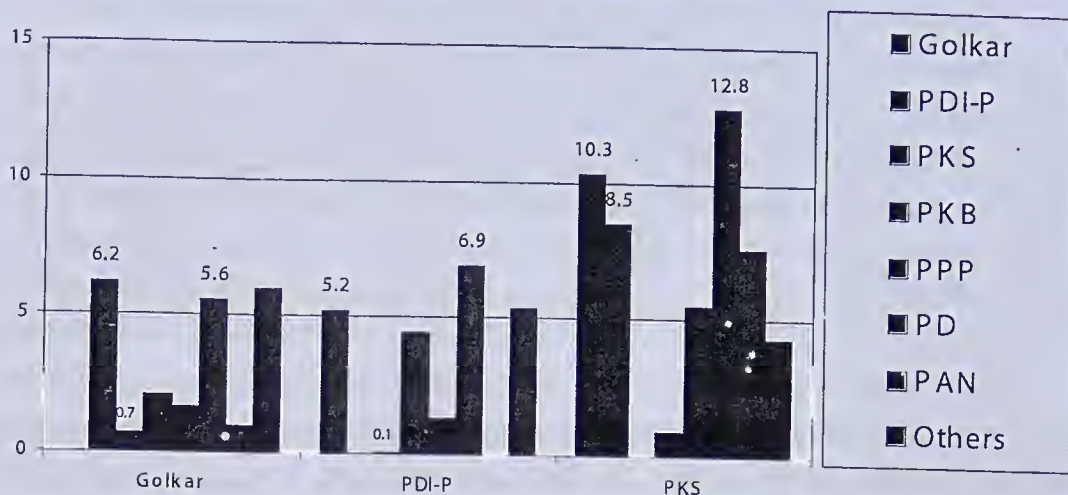
Table 4. Correlation of Party Choice in the 2004 and the 2009 Election (row percentages)

	2009 Choice of political party			
2004	Same party	Nationalist/ <i>Abangan</i>	Modernist/ Conservative	Others/ Undecided
PDI-P	55.1%	8.2%	3.8%	32.9%
Golkar	61.0%	7.9%	5.3%	25.8%
PKS	75.4%	1.5%	0.8%	22.3%
PKB	48.5%	10.8%	2.5%	38.2%
PD	18.7%	16.8%	10.5%	54.0%

The problem with “*politik aliran*” is that it is highly dependent on categorisation. In addition, it is harder and harder to categorise political parties since many of them are starting to move into the “middle”. However, the voting patterns from the past two democratic elections, and the expected voting pattern in 2009 election seem to show that “*politik aliran*” is still very much alive in Indonesian politics. In such case, *politik aliran* argument seems to provide a more appealing explanation if one can create an acceptable typology of political parties in Indonesia that is changing overtime. Yet, for future study, it will be interesting to see whether there are variations of the influence of *politik aliran* and rational calculation in different types of socio-demographic groups.

One should note, however, that there is some degree of voters who are willing to go across ideological or *aliran* line. Particularly when looking at the expected voting pattern among those who will vote for PKS, there are significant numbers that voted for Golkar (10.3%), PDI-P (8.5%), and PD (12.8%) in the 2004 election. This reflects that the source of PKS new voters does not come only from PPP and PAN as generally thought, instead they also come from nationalist/*abangan* political parties.

Figure 3. The 2004 Political Party Choice of The Current Voters of Golkar, PDI-P, and PKS^{9**}



SOCIO-DEMOGRAPHIC FACTORS

Like Golkar, PDI-P has a support base in the rural areas, and those who with junior-high education or lower. PKS has an urban support base, and those with senior-high education or higher. One should note that this does not mean that PKS has support base with the size comparable to Golkar and PDI-P, instead Golkar and PDI-P have significantly larger support base than PKS. As PKS, PDI-P has a support base in Java while Golkar has a support base outside Java. Among those who will vote for the first time (mostly those who are in the age less than 21 years), Golkar is the favourite, with PDI-P and PKS in a close second and third, and followed by PKB, and PD.

The support base for PKB is similar with PDI-P. Most of the PKB voters are originally from the rural areas, they are relatively less educated, and most of them come from Java, particularly East and Central Java. Unlike PKB, PD supporters are relatively more educated and like Golkar, PD has a significant base of support outside Java.

9 ** 76.7% of the current Golkar voters voted for Golkar in 2004, 76.7% of the current PDI-P voters voted for PDI-P in 2004, and 49.9% of the current PKS voters voted for PKS in 2004.

Another socio-demographic variables that might be important are age and gender. PD and PKS supporters are from the younger generation (less than 26 years old, and 26-40 years old), while the age distribution of Golkar, PDI-P, and PKB supporters are more balanced. With regards to gender, PKB and PD supporters are equally distributed among male and female. While unlike Golkar, PDIP and PKS support base leans towards male than female. Table 5 summarises this finding.

Table 5. Support Base of The 5 Political Parties Based on Socio-demographic Variables

	Gender	Java - non Java	Age	Urban-rural	Education
PDIF	Male	Java	-	Rural	Lower
Golkar	Female	Non-Java	-	Rural	Lower
PKS	Male	Java	26-40 years	Urban	Higher
PKB	-	Java	-	Rural	Lower
PD	-	Non-Java	<26 years	-	-

2009 ELECTION SCENARIOS

What then can we expect of the 2009 election? In light of the latest surveys, the political parties that will be able to contest competitively are political parties that were competitive in the previous elections, i.e., Golkar, PDI-P, PKS, PD, and PKB. PAN seems to be declining due to their increasing distance with Muhammadiyah, while PPP will decline due to internal party conflicts and their inability to maintain their relevance. PPP will perform better than PAN because it will gain some new supporters as a result of PKB conflict.

PKB, despite their internal party conflict and the threat from PPP and PKNU (a political party closely linked to PKB which was established as a result of PKB previous internal conflict) to steal its votes, will be able to maintain their support base if they can dampen the current internal party conflict. This is not an impossible task as more and more religious figures in Nahdlatul Ulama voice their concern and ask for reconciliation before the 2009 election. PD ability to compete in the legislative election will depend on SBY's popularity and acceptability among the voters.

Two new political parties that are expected to make some noise are Hanura and Gerindra. Hanura is led by Wiranto, and Prabowo is led by Prabowo. Both were important figures in Golkar, and both held key military positions during the last days of the New Order. These political parties however will not be able to match the success of PKS and PD in the 2004 election for several reasons. First, the key figures in both political parties are still no match with SBY in 2004. Before he was sacked from the cabinet, SBY was a coordinating minister of politics, law, and security. He was considered successful in dealing with the security threats at that time.

The public perceived him as one who was victimised by the political establishment when he was sacked by Megawati, making him an appealing alternative figure for the people. As SBY popularity increased so did PD's. Second, the organisations and party machines of Hanura and Gerindra are not yet comparable to PKS, which has been developed over several years. In addition, it is still unclear whether these new parties (or even any parties) will have cadres as militant as PKS. Third, both parties will have to compete with Golkar and PDI-P since their base of supports is the same. However, as we know, there is a tendency for voters to vote for the same party over time, making Golkar and PDI-P in an advantageous position.

According to the CSIS survey, the presidential candidates that will be able to compete in the next elections are SBY, Megawati, HB X, HNW, and Wiranto. Other surveys confirm these names, except HNW. In addition, the latest surveys also show the rise of Prabowo. However, his rise tends to be exaggerated. A survey result done by NLC/TNS shows that Prabowo is in the third position with 25% support below SBY (39%) and Mega (26%). This result is questionable because it is highly (highly) unlikely that three names can dominate by getting 90% shares of the vote. A survey result done by LSN, which shows that Prabowo gained 11% of support, does not reflect the national situation since it was done only in major cities in Indonesia. In other surveys, Prabowo came in fourth, however we should note that he got only 3% support. Overall his rise cannot be considered as a rise at

all. The argument above that compares him with SBY help concludes that he is not yet a viable presidential candidate just yet.

Out of the five individuals mentioned above, only SBY and Mega who can be considered as the prime runners. Only and if only other candidates reach a double figure in surveys entering February 2009, then he or she can be considered as another contender.

In the mean time, HB X is not yet a clear contender because lately his popularity is declining. Even in the latest survey, Wiranto was ranked third instead of HB X. However, HB X name should not be erased from the map yet. His potential can be observed if we break down his support base. Initially his support comes mainly from Jogjakarta (DIY) area. However, CSIS survey finds that HB X is able to expand his support base across Java--25.5% from DIY, 17.2% from West Java, 13.7% from Central Java, 14.9% from East Java. This indicates that HB X has gained support beyond his support base in DIY.

HNW has a relatively solid base of support from PKS voters. However, PKS voters are concentrated in Java, particularly in West Java. Besides, there is a continuing stigma against PKS as an Islamic party that once explicitly supports the implementation of Islamic laws. Despite its attempt to eliminate such stigma by claiming itself as an open political party, such stigma continues to persist among many voters. Thus, his link with PKS is both an advantage because it provides a solid support base and a disadvantage for HNW because it limits his ability to gain a wider range of support base.

Wiranto will not yet able to compete with SBY due to the above-mentioned reasons. There is also an indication that Wiranto is seriously focusing on building his political party first, and aiming more towards the 2014 election.

On 29 October 2008, the political parties in the parliament agreed on the threshold required for political party or a coalition of political parties to put forth their candidates for the presidential election. The threshold is set at 20% of parliamentary seats or 25% of total national votes. Based on this agreed threshold and the CSIS survey result,

coalition among political parties is inevitable and there will maximally only 4 pairs of candidates.

This high threshold set by the parliament will push PD to find a big political party for its coalition partner to insure SBY candidacy. Golkar and PKS will be viable options, while PDI-P will not be the one because PDI-P already has a presidential candidate. This makes SBY-JK or SBY-HNW pairs highly potential. Golkar on the other hand is fragmented internally. Some desires that Golkar have its own presidential candidate coming from Golkar, while others lean to support the incumbent pairs since it is the safest way back to power. In addition, pairing JK with SBY again will avoid competition among Golkar elites to get the Golkar candidacy ticket. If JK is to be paired back with SBY, the plan is to ask for more cabinet seats and an increase role in decision-making capacity of the vice president.

Meanwhile, PKS has decided like other political parties, to announce whether they will have their own candidate or whom they will support only after the legislative election. It is highly possible that PKS will get more votes than the 7.34% in the 2004 election. However, PKS will not gain enough votes to avoid coalition. PKS potential success in the next election will be a useful bargaining chip for PKS. Different from PD, Golkar, and PKS, for PDI-P and Mega, their participation in the presidential election is almost guaranteed. Thus, PDI-P is more focused on finding a viable vice presidential candidates. Their choice will also be more flexible since they do not need to think about reaching the required threshold. Instead, they can find figures outside political parties, such as Din Syamsuddin from Muhammadiyah.

To conclude, the next election will still be dominated by past figures, such as SBY and Mega, and those from a mix of traditional political parties (Golkar and PDI-P) as well as new^{was} political parties (PD and PKS). Nonetheless, newcomers, such as Prabowo (with his newly established political party named Gerindra) or Wiranto (with his newly established political party named Hanura) will have to defy many odds to be able to compete well.

Review of Economic Development

INDUSTRIAL AGGLOMERATION IN INDONESIA: ITS PRESENCE AND CONDITION

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INTRODUCTION

Knowledge on industrial agglomeration has great importance for industrial and economic development. In a regional context, Indonesia belongs to ASEAN, which have signed an agreement to build ASEAN Economic Community (AEC) in 2015. Therefore, the country should build the economy in perspective of achieving one single market and production base with free flows of goods, services, and investment. This could be achieved through regional production network. Production in each country usually occurs in a cluster area; hence, the regional production network could be attained through connections among industrial clusters of many countries. Thus, a further research on the existence of industrial cluster in a country has become an important aspect of current economic development.

Previous studies have made attempts to explain the forming of industrial agglomerations in Indonesia by employing secondary data. Diechmann, et al.¹ uses industrial database in year 1996 to identify the

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1 U. Diechmann, K. Kaiser, S. Lall, and Z. Shalizi. *Agglomeration, Transport, and Regional Development in Indonesia*, World Bank Policy Research Working Paper 3477 (2005)

position of agglomerated economies in the country and the possible causes of the forming of those economies. Meanwhile, Hidayati and Kuncoro² explore the dynamics and drivers of industrial polarisation in Java during the period of 1980–2004. In addition, Kuncoro and Dowling³ analyse to what extent theories explain the economic concentration in Java by utilising data from 1991 and 1996.

Although considerable research has been done on industrial clusters in Indonesia, much less is known about its existence utilising the latest and primary data taken from firms operating in the cluster areas. Therefore, this research was designed to evaluate the incidence of industrial agglomerations in Indonesia by adopting case study and mail-survey methodological approaches.

The mail-survey includes 121 companies in three areas in West and East Java, namely the Greater Jakarta, the Greater Bandung, and the Greater Surabaya. Majority of respondents employ less than 100 workers, meaning that the survey results are more representative to small and medium enterprises (SMEs) rather than large and medium enterprises (LMEs). Regarding their main business activities, around 39% of respondents are manufacturing establishments while 19% of them are financial establishments.

The results suggest that there may be an early evidence of industrial agglomerations in the surveyed areas. Some reasons supporting this argument are as follows. The latest secondary data of 2005 obviously demonstrates a spatial industrial concentration in Western Indonesia, particularly in Java. The presence of financial firms together with manufacturing firms may indicate the incidence of industrial cluster as financial companies provide the soft infrastructure for the manufacturing industry. The factors influencing companies to locate in the surveyed areas and the occurrence of technological upgrading

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- 2 A. Hidayati and M. Kuncoro. "Konsentrasi Geografis Industri Manufaktur Di Greater Jakarta Dan Bandung Periode 1980-2000: Menuju Satu Daerah Aglomerasi?" *Empirika* 17, no. 2 (2004)
 - 3 Mudrajat Kuncoro and J.M. Dowling. "The Dynamics and Causes of Agglomeration: An empirical study of Java, Indonesia" in P. Ruffini, *Economic Integration and Investment Behaviour* (Cheltenham: Edward Elgar, 2004)

among respondents also support the idea of the existence of industrial clusters in Indonesia.

The paper is divided into six sections. Section 2 describes the geographic concentration of industrial agglomeration in Indonesia by discussing past researches on this subject and displaying the latest survey industry data of 2005. Section 3 focuses on the formation of cluster areas with emphasis on the role of infrastructures. Section 4 examines the restraining factors of firms' growth with a deeper attention to the role of infrastructures. Section 5 looks at the firms' decision to expand and their choices of expansion method, including technological upgrading. The last section presents the summary and policy implications.

GEOGRAPHIC CONCENTRATION OF INDUSTRIAL AGGLOMERATION IN INDONESIA

The previous literature reports that manufacturing industry in Indonesia is highly concentrated. Diechmann, et al. notes that around half of all manufacturing employment is located only in 15 regencies.⁴ The heavily concentrated location is western Indonesia namely Java and some parts of Sumatera. In Java Island, the industries are not evenly distributed but they are also agglomerated in bipolar pattern that is in West Java and East Java.

Hidayati and Kuncoro investigate the dynamics of agglomeration in West Java between 1980 and 2000.⁵ They measure concentration in terms of employment and value added. High industrial density is identified for a regency with more than 24,000 employment and more than Rp 200 billion value added. The result shows that the western polar covered the Greater Jakarta and the Greater Bandung and network cities linking both areas. It was initially only Jakarta in 1980. Then, within one decade, the agglomeration area expanded to the Greater Jakarta, which includes Bogor, Tangerang, and Bekasi.

4 Diechmann, Kaiser, Lall, and Shalizi. *Agglomeration, Transport, and Regional Development in Indonesia*.

5 Hidayati and Kuncoro. "Konsentrasi Geografis Industri Manufaktur Di Greater Jakarta Dan Bandung Periode 1980-2000"

Bandung also emerges as the economic centre during that decade. In the 1990s, there appeared network cities connecting the Greater Jakarta and the Greater Bandung. Therefore, in the 2000 one big agglomeration area in West Java has been created.

Data of 2005 reveals that around 80% of all manufacturing industries took place in Java while about 10% of them operated in Sumatera (Table 1). The rest of them were distributed in other islands. Comparing the condition of 2005 with this of 1996, there was not much change in the geographical distribution of industries across Indonesia. Footwear industry had been concentrated in Java

Table 1. Geographical Distribution of Manufacturing Industry across Indonesia, 2005

Sector	Island	Number of Employment	Percentage	Number of Company	Percentage
Food Products	East of Indonesia	7,686	1.27%	35	0.79%
	Java	366,876	60.72%	3,181	71.74%
	Kalimantan	31,243	5.17%	132	2.98%
	Others	5,550	0.92%	88	1.98%
	Sulawesi	28,245	4.67%	240	5.41%
	Sumatra	164,655	27.25%	758	17.10%
	Total	604,255	100.00%	4,434	100.00%
Footwear	East of Indonesia	-	0.00%	-	0.00%
	Java	184,809	99.36%	316	96.64%
	Kalimantan	-	0.00%	-	0.00%
	Others	191	0.10%	3	0.92%
	Sulawesi	-	0.00%	-	0.00%
	Sumatra	1,003	0.54%	8	2.45%
	Total	186,003	100.00%	327	100.00%
Garments	East of Indonesia	-	0.00%	-	0.00%
	Java	434,760	96.19%	1,783	92.77%
	Kalimantan	210	0.05%	6	0.31%
	Others	6,739	1.49%	70	3.64%
	Sulawesi	668	0.15%	13	0.68%
	Sumatra	9,598	2.12%	50	2.60%
	Total	451,975	100.00%	1,922	100.00%
Textiles	East of Indonesia	-	0.00%	-	0.00%
	Java	559,063	98.59%	1,800	93.07%
	Kalimantan	113	0.02%	2	0.10%
	Others	3,180	0.56%	49	2.53%
	Sulawesi	1,193	0.21%	33	1.71%
	Sumatra	3,493	0.62%	50	2.59%
	Total	567,042	100.00%	1,934	100.00%
Wood products	East of Indonesia	17,135	5.49%	15	1.13%
	Java	117,151	37.53%	727	54.87%
	Kalimantan	104,356	33.43%	197	14.87%
	Others	4,009	1.28%	59	4.45%
	Sulawesi	12,411	3.98%	405	7.92%
	Sumatra	57,131	18.30%	222	16.75%
	Total	312,193	100.00%	1,325	100.00%
Total Manufacturing	East of Indonesia	26,499	0.63%	86	0.41%
	Java	3,442,473	81.45%	16,996	81.99%
	Kalimantan	159,539	3.77%	499	2.41%
	Others	32,649	0.77%	515	2.48%
	Sulawesi	62,910	1.49%	569	2.74%
	Sumatra	502,502	11.89%	2,064	9.96%
	Total	4,226,572	100.00%	20,729	100.00%

Source: BPS

since pre-crisis time, with only 8 companies operated in Sumatera. Food processing industry witnesses a shift in the employment share from Kalimantan and Sulawesi to Sumatera. This may be due to the worsening infrastructure availability in Kalimantan and Sulawesi, which discourage investment. The location of textile and product textile industry did not change; more than 90% of the industry was in Java. Different from other sectors, wood products industry became more agglomerated in Kalimantan and Sulawesi. The industry experienced a decrease in its proportion of employment in Java from more than 50% in 1996 to 38% in 2005.

In all industries except wood products, Java was more labour-intensive than other parts of the country, shown by the higher percentage of employment than the percentage of companies. In contrast, others, which are Bali and Nusa Tenggara, had much larger proportion of companies (2.48%) than proportion of employment (0.77%). This means that the companies employed labours fewer than average number of labours per firm.

Knowing the fact that the industrial concentration in Indonesia is in West and East Java, the mail-survey in this study is therefore conducted in three areas namely the Greater Jakarta, the Greater Bandung, and the Greater Surabaya (East Java).

THE FORMATION OF INDUSTRIAL AGGLOMERATION

Past researches made attempts to find the determinants of industrial clusters in Indonesia. According to Diechmann, et.al., the determinant factors are natural advantage and production externalities.⁶ The examples of natural advantage are infrastructure and natural resources advantage while production externalities are technology and managerial skill spillover resulting from co-location of firms in the same or complementary industries. Their study also indicate that the forming of agglomerated economies in Indonesia supports the New Economic Geography model, where firms tend

⁶ Deichmann, Kaiser, Lall, and Shalizi. *Agglomeration, Transport, and Regional Development in Indonesia*.

to operate in areas having high demand of products which can be distributed easily using ample infrastructure, and, therefore, market access.⁷ This explains the establishment of Jakarta and Surabaya metropolitan areas as the industrial clusters since infrastructure in both clusters such as toll roads, seaports, and airports are well-provided.

Another study by Kuncoro and Downing⁸ suggests that spatial concentrations in the country are market-driven. There are supply and demand forces forming the concentrations. The supply forces are import content, export orientation, economies scale, and labour costs. They find that import content and export orientation play an important role in Large and Medium Enterprises (LMEs) concentration. For example, many LMEs are located in Java as the linkage with foreign exporters and access to international market is easier in Java rather than other islands. Economies scale is also identified as a determinant of agglomerated economies in Java, implying that manufacturing industry in Java inducing localisation economies. Labour cost also has a positive correlation with spatial concentration, indicating that higher wages lead to higher regional specialisation.

The demand force is size of market. The size of market affects firms' decision to locate their operations. Most manufacturing firms choose densely populated areas as their source of labour input and the market for their products. In addition, firms from the same group prefer to operate in the same region. This happens in Java. Hidayati and Kuncoro confirm the path dependency hypothesis in the Indonesian case.⁹ The age of firms has positive correlation with the creation of industrial clusters. Older firms tend to enhance regional

7 Krugman 1991; Fujita and Krugman, 1995; and Fujita, et al., 1999, as cited by Deichmann, Kaiser, Lall, and Shalizi. *Agglomeration, Transport, and Regional Development in Indonesia*.

8 Mudrajat Kuncoro and J.M. Dowling. "The Dynamics and Causes of Agglomeration: An empirical study of Java, Indonesia"

9 Hidayati and Kuncoro. "Konsentrasi Geografis Industri Manufaktur Di Greater Jakarta Dan Bandung Periode 1980-2000"

specialisation as happened in Java where it has been the centre of economic activity since the nineteenth century.

Kuchiki also establishes an approach defining the factors affecting the development of industrial clusters, named Flowchart Approach.¹⁰ This approach suggests a role of government in making policies on industrial cluster and a role of multinational companies (MNCs) as the determinant of value chain management. The factors required for the forming of an industrial cluster are an industrial zone, capacity building, anchor firm, and related firms. An industrial zone is needed as the place for economic activities take place. Capacity building may take forms of institutional reforms, law and regulation, human resources development, and living condition for companies' employees. Anchor firm is the first economic agent operating in the industrial zone, which has an adequate capacity building. Then, related firms follow the anchor firm by opening their business in the zone and the link between related firms and the anchor firm is established.

The mail-survey results seem supportive to the idea of industrial agglomeration in the country. The reason is that the respondents' important factors for conducting business in the cluster area are similar to flowchart approach and other literatures discussed above. The significant factors affecting respondents to locate in the cluster areas are (Table 2):

1. All kind of infrastructures. This includes hard infrastructures (e.g. roads, highways, ports, airports, telecommunication, and utilities) and soft infrastructures (e.g. financial and legal system, living condition);
2. Availability of skilled labour and professionals;
3. Size of local market.

10 A. Kuchiki. "A Flowchart Approach" in Kuchiki, A. and Tsuji, M. eds, *Industrial Cluster in Asia, Analyses of their Competitiveness and Cooperation* (New York: IDE-Jetro, 2005): 169-199.

Table 2. Important Factors for Establishing Business in the Surveyed Area

Groups	#	% of total
1) Investment incentives including tax incentives	79	65.3
2) Liberal trade policy	46	38.0
3) Customs procedures	40	33.1
4) Local content requirements, rule of origin	62	51.2
5) Physical Infrastructure (roads, highways, ports, airports, etc.)	105	86.8
6) Infrastructure (telecommunications, IT)	111	91.7
7) Infrastructure (electricity, water supply, other utilities)	109	90.1
8) Government institutional infrastructure	86	71.1
9) Financial system	109	90.1
10) Legal system	99	81.8
11) Protection of intellectual property rights	78	64.5
12) Size of local markets	97	80.2
13) Access to export markets	57	47.1
14) Proximity to suppliers/subcontractors	73	60.3
15) Request by large/related company	78	64.5
16) Availability of low-cost labor	75	62.0
17) Availability of skilled labor and professionals	103	85.1
18) Other companies from the same country are located here (synergy)	50	41.3
19) Access to cutting-edge technology and information	95	78.5
20) Living conditions	102	84.3
Average of the frequency		68.3

Note: a. the frequencies were computed based on the answer of "somewhat important" and "very important"

Source: Authors.

RESTRAINING FACTORS OF INDUSTRIAL AGGLOMERATION

The respondents in this survey also reveal the factors they consider restraining their firms' expansion. Most of them note infrastructure, both hard and soft infrastructure, as the most restraining factors. Other restraining factors are protection of intellectual rights, size of local market, access to export, availability of skilled labour and professionals, access to information and technology, living condition, and incentives for investment. These impediments, particularly infrastructure problem, may be related to the weakening Indonesian real sector in the post-crisis era and unfavourable general investment climate, which have been found by previous studies.

The current inadequate infrastructure might have hampered export. The infrastructure bottleneck is probably related to the fact that public investment in physical infrastructure is much lesser than that in the pre-crisis period. This might also explain respondents' complaint on the lack access to export market because infrastructure plays a key role for exporting firms.¹¹

Past studies made attempts to identify the importance of infrastructure in the agglomeration process. Diechmann, et al.¹² uses road density as an indicator of market access, reflecting the ease of goods and people move locally. The study indicates that there is significant relationship between road density in each regency and the agglomeration process.

Since government could intervene in infrastructure development, simulation is carried out in Diechmann, et al.'s study testing whether road improvement will induce companies to relocate. The simulation is conducted in Jakarta, East Java, East Kalimantan, and South Sulawesi. The result shows that road building in an area will attract firms to operate there. However, transport improvement will only have small impacts on industry relocation in non-agglomerated economies. This may imply that in the Eastern Indonesia which can be considered as non-agglomerated economy, infrastructure development will give limited impact in attracting investment.

The other restraining factor that may also need more attention is financial system. This may probably due to most respondents are SMEs, which are usually difficult to meet banks' requirement for loans.

FIRMS' EXPANSION AND TECHNOLOGY UPGRADING

Respondents in the mail-survey are also asked about activities for expansion they did in the past as well as in the near future. Demand seems to be the important driver of expansion as 67% of respondents

11 B. Aitken, G. Hanson and A. Harrison. "Spillover, Foreign Investment and Export Behaviour." *Journal of International Economics*, 43(1-2): 103-132 (1997)

12 Diechmann, Kaiser, Lall, and Shalizi. *Agglomeration, Transport, and Regional Development in Indonesia*.

chose "introduction of new goods" and "opening of new markets" as the activities they did for expansion. In the next three years, they will also do both activities and an additional activity of "adoption of new method of production". This may imply their indication of technological upgrading. Therefore, this fact may also suggest an early evidence of industrial agglomeration in the surveyed area since by theory, industrial clusters will create technological upgrading.

The result from mail-survey suggests that respondents adopted technological transfer from other larger companies as their method of expansion. The transfer of technology they chose and will chose in the near future is from local and MNCs. The result shows that around 50% of respondents did or will transfer the technology from MNCs. This is consistent with the theory of industrial clustering where technological upgrading does happen through technological spillover from MNCs. This has also happened in Indonesia as Dunning has documented it.¹³

Inconsistent with the popular belief of unsupportive investment climate in Indonesia, approximately 85% of the respondents answer that they plan to expand their business. There may be two possible explanations for this. First, majority of respondents are (SMEs) which are quite "nimble"; they are less affected by factors contributing to weak investment climate. For example, they need much smaller cost than large firms to expand. Second, SMEs may not export but optimise domestic market. Therefore, the unfavourable macroeconomic condition does not have large impact on them. Many of them operate in sectors of food-and-beverage and garment, which have large domestic demand.

SUMMARY AND POLICY IMPLICATIONS

To sum up, literatures and mail-survey provide an indication of the existence of industrial agglomerations in the country. Data shows that most of manufacturing industries are located in Western

13 See J.H. Dunning, *Multinational Enterprises and the Global Economy*. (Wokingham: Addison-Wesley, 1993)

Indonesia (Java and Sumatera), in particular West and East Java. Therefore the study chooses companies in those areas to be surveyed. According to the mail-survey, pull factors attracting firms to operate in those areas are all types of infrastructure (telecommunication, IT, utilities, road, seaport, financial system, legal system, protection of intellectual property rights), availability of skilled labours, and size of market. These factors jibe with two of three criteria of industrial cluster development mentioned in the Flowchart Approach, namely demand from industrial zone and capacity building such as human resources and infrastructures.

The impediments of firms' growth stated by the respondents are consistent with popular belief of Indonesia's unfavourable investment climate. Those impediments are in the fields of infrastructures, financial system, size of local market, access to export, availability of skilled labour, access to IT, living condition, and incentives for investment. Respondents' dissatisfaction to infrastructures' availability accords to the fact that current public investment in physical infrastructure is less than that in the pre-crisis era (Soesastro and Atje 2005). However, other study also finds that infrastructure improvement in transportation would give less impact on the agglomeration process in the lagged behind economies rather than the agglomeration process in the more-developed economies.

That respondents indicate their plans of technological upgrading also gives more support to the presence of industrial clusters as an industrial cluster usually creates technological upgrading. The sources of respondents' new technology are local firms, which have been experienced in the market and MNCs. This issue has been well documented in the literatures, such as, Dunning that technology spillovers from foreign firms do happen in Indonesia.¹⁴

To enhance the industrial agglomeration phenomenon, government policies should address the restraining factors discussed above. Infrastructure is one of the areas that need improvement. Although infrastructure will definitely have positive effects to the industrial

14 Ibid.

development, it will give limited impact in the less-developed areas such as Eastern Indonesia. Therefore, other policies driving the supply and demand forces for manufacturing establishments are needed. Those policies may be related to labour availability, domestic distribution, and local regulations.

This kind of policies is important in strengthening Indonesian industrial clusters, as the cluster should be able to integrate in the ASEAN production network. The well-developed cluster will enhance the specialisation of Indonesian production in the regional production network and the competitiveness of domestic products, which enable the country to gain from AEC.